

# Public Utilities

*FORTNIGHTLY*



Volume XLIV No. 7

September 29, 1949

## POSTWAR TRANSIT PROGRESS

By Justus F. Craemer

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## Businessmen Are Urged to Aid Transit

By Herbert Bratter

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## Crisis in Transit

By George W. Keith

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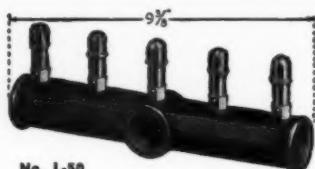
## Music in Transit

By John J. Hassett

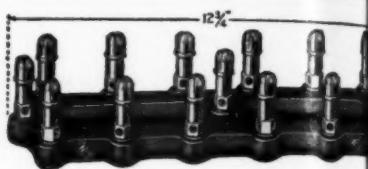


Greetings to the American Transit Association  
Convention; Atlantic City, N. J.

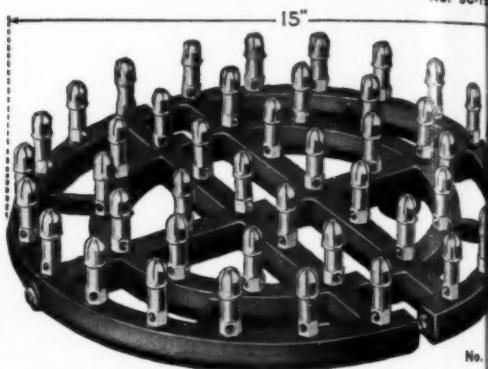
Oct. 26



No. L-50



No. SC-15



No.

# Some New Types of **BARBER** **APPLIANCE BURNER**



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# Public Utilities

## FORTNIGHTLY

VOLUME XLIV

SEPTEMBER 29, 1949

NUMBER 7



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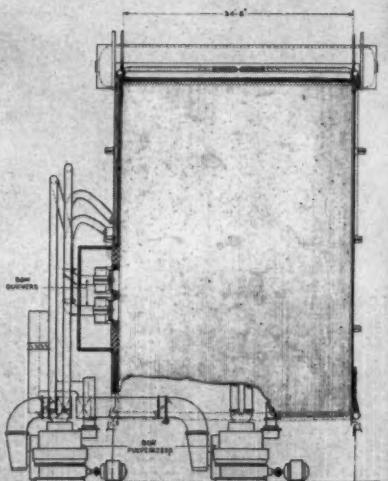
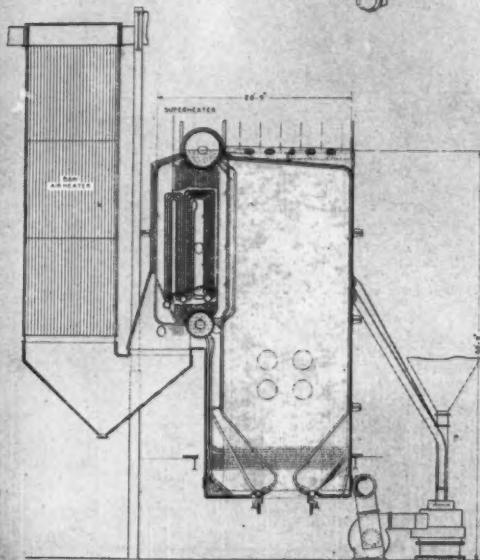
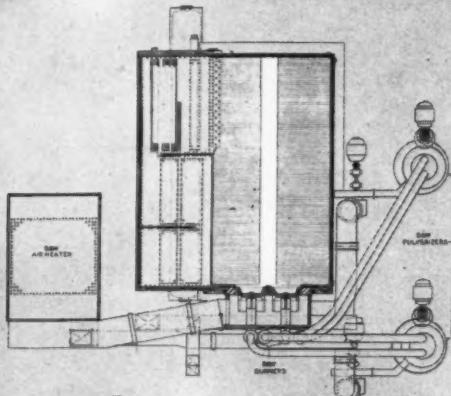
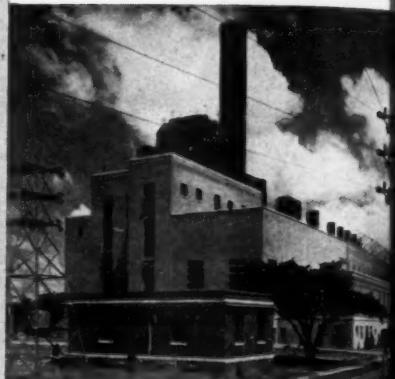
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ANOTHER

Sto

... PUBLIC SERVICE



Steam for a new 30,000 Kw. turbo-generator at Public Service Co. of Oklahoma's Tulsa Power Station is supplied by a single B&W Integral-Furnace Boiler, Type FH. Details of this hopper-bottom unit are shown above.

Normally gas-fired, the boiler is arranged

for coal-firing in winter by two B&W pulverizers and also has B&W oil-burners to provide another standby fuel. Sargent and Lundy, Chicago, were the consulting engineers.

More and more power companies are finding the B&W Integral-Furnace boiler

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installations are now served  
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## *Pages with the Editors*

ON September 12th dozens of transit companies in every section of the United States, and a number in Canada, celebrated "Transit Progress Day." This celebration was designed, in the words of President Warren R. Pollard of the American Transit Association, "to let our friends and neighbors know how public transit intimately benefits them in their daily lives."

WE had the privilege of witnessing a particularly fine observance of "Transit Progress Day" in the nation's capital, where the Capital Transit Company put on its show, downtown, on the celebrated "F street main drag" between 14th and 15th. We saw the brightly painted restoration of an early car, a picture of which we have selected for the frontispiece of this issue. We saw the old and the new. It was a spectacle that impressed all Washingtonians (who witnessed it) not only with the strides that have been made in metropolitan transportation service during the last century, but it also gave insight into the economic problems confronting the industry, today and tomorrow.

SUCH celebrations should foster a con-

sciousness about transit service on the part of the public, which may well create a favorable atmosphere for the forthcoming annual convention of the American Transit Association at Atlantic City October 2nd to 6th. With its complications increasing almost daily, during this postwar period, the transit industry has again demonstrated an aptitude for doing the right thing at the right time in planning this successful "Transit Progress Day" celebration. We trust that those who attend the Atlantic City convention will bring reports of a universally favorable reaction to the "Transit Progress Day." It is a venture that merits well-earned success.

SPeAKING of changes in forms of land transportation, we once attempted to determine, just as a novelty, how many forms of mechanical transportation had ever been used by the human race, including such odds and ends as rickshas, dog sleds, pack drags, and so forth. It seemed like a nice little piece of research, suitable for a quiet afternoon in a library, and productive—we hope—of an educational "filler."

BUT we reckoned without the ingenuity and versatility of the human race. After three days of bravely battling encyclopedias and index references, our research editor made a progress report of 86 fairly modern items, including 36 distinct types of peddled vehicles, such as bicycles, tricycles, and quadricycles. The classification of ancient history with its wealth of sedan chairs, chariots, and sledges had not even been touched. For practical reasons we decided to leave the project for some worthy foundation.

ONE interesting account of early electrical railway experiments dealt with a "block sweep" system for delivering energy to streetcars. A series of electrified blocks were placed at intervals along the sides of the track, level with the surface of the street. The idea was to have the streetcar pick up current through metal



HERBERT BRATTER

SEPT. 29, 1949.

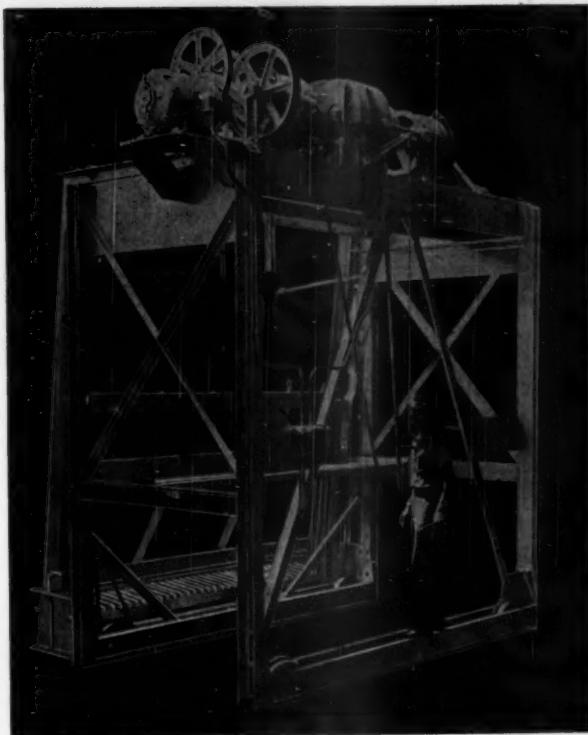
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**W**ATER users troubled with trash are invited to write for new descriptive rack rake catalog.

**T**HE Newport News Mechanical Rack Rake is a power-operated rake for cleaning trash racks at water intakes for hydroelectric plants, steam plants, pumping stations, canals and similar installations. It cleans the rack bars of trash and reduces a former major hand operation to one of minor periodic activity. With Newport News Mechanical Rack Rake installations, one man per shift can, under ordinary conditions, keep the racks clean for a dozen bays.

**NEWPORT NEWS SHIPBUILDING AND DRY DOCK COMPANY**

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JOHN J. HASSETT

brushes that would sweep these blocks, one after another, as the car progressed. The inventor claimed it would do away with unsightly and expensive trolley poles and wires, etc.

It was actually attempted in one of our large cities. But the experiment did not last long. A large brewery wagon, drawn by a team of six horses—as was commonplace in that era—happened to roll over two of the blocks simultaneously. Somehow or other, several horses were electrocuted and the driver escaped with his life by a narrow margin. But it was a good idea in theory.

**I**N this issue we present a series of four feature articles dealing with problems of interest to transit companies. One of these articles is by GEORGE W. KEITH, a Cincinnati free-lance reporter, who has written for a number of publications, including *The Saturday Evening Post*. MR. KEITH's article deals with steps taken by a local company in Cincinnati to meet the threat of diminishing patronage, by voluntarily foregoing a rate increase to which it was admittedly entitled, under the terms of its service-at-cost contract with the city.

\* \* \* \*

**H**ERBERT BRATTER, Washington writer of business articles, discusses in his article, "Businessmen Are Urged to Aid Transit" (beginning on page 403),  
SEPT. 29, 1949

the factors contributing to inferior service, including abortive peak loads, decentralization of population, curb parking, and lack of adequate community support for service improvements. He also discusses the responsibility for trends toward socialization in the transit industry.

\* \* \* \*

**J**USTUS F. CRAEMER in his article "Postwar Transit Progress" (beginning on page 399) gives us an analysis of current trends and economic problems in the transit industry from the standpoint of an experienced regulatory authority. MR. CRAEMER formerly was president of the National Association of Railroad and Utilities Commissioners. His comments on common carriers in this issue were originally made in his address as retiring president at the recent NARUC convention in Cleveland.

\* \* \* \*

**J**OHN J. HASSETT, formerly a member of our own editorial staff, has given us an account (beginning on page 418) of the public reaction in one large American city to the spreading practice of equipping streetcars and busses with FM radio receivers for program en route. Puzzled over conflicting statements one transit company decided to find out, via a public opinion survey. MR. HASSETT describes the steps taken by this company to check on the popularity of these musical and news programs with the transit companies.

\* \* \* \*

**A**MONG the important decisions printed from *Public Utilities Reports* in the back of this number, may be found the following:

MUNICIPAL\* approval of the substitution of autobuses for trolley busses is passed upon by New Jersey Superior Court. (See page 146.)

THE next number of this magazine will be out October 13th.

*The Editors*



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# Coming IN THE NEXT ISSUE



## GOVERNMENT PROPAGANDA TECHNIQUE IN THE FIELD OF PUBLIC POWER FORCES

Carroll B. Huntress, chairman of the National St. Lawrence Project Conference, has made an analysis of propaganda trends in the United States over the past three decades. Virtually unknown in America, prior to the expediencies of both World War I and World War II, systematic direction (if not occasional deception and suppression) has apparently become an accepted instrument of government publicity policy, according to this writer.

## FINANCING "AS YOU GO"

As a general principle, a policy of financing "as you go," carefully planned to meet the individual needs of the particular utility, appears best suited to the requirements of the electric industry. W. F. Stanley, vice president and secretary of the Southwestern Public Service Company, outlines the adoption of such a policy which he believes would tend towards a steady improvement in earnings and dividends and become a better inducement to stockholders and the general public to invest in the industry.

## WILL PUBLIC POWER STALL THE UTILITIES?

An analysis of steps taken and arguments advanced to maintain the private independent system in the electric utility industry, as against the advancing strides of public ownership. John P. Callahan, utility news writer of "The New York Times," sketches this situation in the light of current developments in Congress.

## IS TEXAS RUNNING DRY?

Man's oldest and most vital utility service—water supply—is in danger of serious impairment in the nation's largest state, as a result of heavy withdrawals, increasing population, and industrial usage. Here is a frank appraisal of the Texas water problem by Ernest R. Abrams, business writer and editor, who proposes a solution for trouble which is spreading to other areas in the Southwest.



**Also . . .** Special financial news, digests, and interpretations of court and commission decisions, general news happenings, reviews, Washington gossip and other features of interest to public utility regulators, company executives, financial experts, employees, investors, and others.

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# Remarkable Remarks

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—MONTAIGNE

WALTER S. HALLANAN  
*Chairman, National Petroleum  
Council.*

"America has little to fear from its business giants as compared to the very real and imminent peril it faces from the giant of government."

LAURENCE MCKINLEY GOULD  
*President, Carleton College.*

"If we follow the lead of organizations lobbying for Federal aid to education we shall end with an educational WPA which will solve no basic problems. It will only insure uniformity and the mediocrity that goes with it."

PAUL H. DOUGLAS  
*U. S. Senator from Illinois.*

"To be a liberal, one does not have to be a wastrel. We must, in fact, be thrifty if we are to be really humane. We are not helping the slum-dwellers, the undereducated and sick by supporting an excessive number of stenographers and clerks."

DAVID SARNOFF  
*Chairman of the board, Radio  
Corporation of America.*

"Television is too powerful a force for the public good to be stopped by misleading propaganda. No one can retard its advance any more than the carriage maker could stop the automobile, the cable the wireless, or the silent pictures the 'talkies.'

EDITORIAL STATEMENT  
*The Columbia (South Carolina)  
Record.*

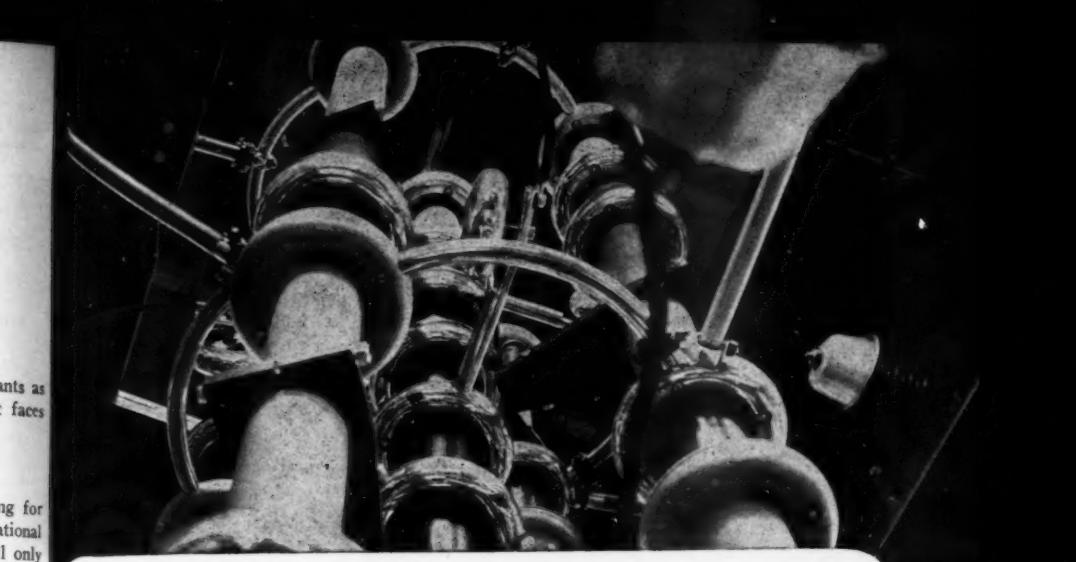
"Great Britain is discovering that Socialism and social benefits cost money. And those Americans who believe in the doctrine that the state can spend your money for you better than you can do it for yourself can learn something from Britain's experience."

CHARLES E. WILSON  
*President, General Electric  
Company.*

"We can never legislate our way out of color and racial discrimination, out of unfair employment practices, or out of religious bigotry. Force never changed anybody's mind, but education and understanding have won a lot of victories, even though they take longer."

BENJAMIN STRONG  
*President, United States Trust  
Company.*

"A capitalistic system cannot survive without capital, and capital cannot exist without savings, and savings cannot be put to useful purpose without proper administration and investment management. . . . Sound, courageous policies in our banking system can well turn out to be one of the major elements in keeping our country away from some form of 'stateism,' whether it be Communism, Socialism, or 'welfareism.'"



## **PROFIT BY DELTA-STAR'S RESEARCH AND EXPERIENCE**

From the very infancy of the electrical industry to the present day, Delta-Star has continuously designed, manufactured and supplied power switching equipment to the utilities for both indoor and outdoor service.

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When you invest in Delta-Star equipment you are investing in quality and durability. You are sure of receiving equipment designed for today's—not yesterday's—requirements, and behind the product is an unsurpassed record of good service to the electrical industry.

Delta-Star is a name worth remembering. It stands for high voltage equipment combining efficiency, economy and value.

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Indianapolis, Ind.	Philadelphia, Pa.	Washington, D. C.

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## REMARKABLE REMARKS—(Continued)

EDITORIAL STATEMENT  
*The Wall Street Journal.*

WALTER F. GEORGE  
*U. S. Senator from Georgia.*

ROBERT M. HUTCHINS  
*Chancellor, University of Chicago.*

POWELL C. GRONER  
*President, Kansas City Public Service Company.*

HAROLD W. DODDS  
*President, Princeton University.*

HERMAN W. STEINKRAUS  
*President, Chamber of Commerce of the United States.*

PAUL B. GILLEN  
*Director of educational research, Hill & Knowlton, Inc.*

DWIGHT D. EISENHOWER  
*President, Columbia University.*

"We think the Hoover Commission has done a fine service in showing us what a cancer bureaucracy has become. We are dubious that the disease can be cured by a simple panacea. There is no way where there is no will."

"In order to get out of our present unfortunate situation we must reduce expenditures until the recession has leveled off. Later we might have to discuss taxes—but they must be selective taxes that do not discourage business."

"If it is possible to apply atomic energy to peacetime purposes then we shall have more vacant time. Atom energy, therefore, confronts mankind with this dreadful choice: If we have war we shall be blown to bits; if we have peace, we shall be bored to death."

"The day of the 'public be damned' attitude—either in management or labor—has passed. The public does have to be damned and rightly won't. An attitude of 'the public be pleased' is more in harmony with the spirit of the times and, besides, it will get us further."

"Communism negates all that the humanities have affirmed for more than 2,000 years for it denies the right of individual judgment in respect to all human values expressed in literature, art, ethics, or religion. It is the humanities that carry the real answer to Communism. Why is this not made clear to our students?"

"I believe a sound solution of our present economic situation is for wages to be held steady, and for labor to refrain from further demands at this time, while price reductions should be made by manufacturers, wholesalers and retailers, as rapidly as possible. Higher wages for a few and higher prices for the rest is not the answer."

"Industry has a most important stake in American education and should by no means make the assumption that materials are the only service that it can render. If school men are to be persuaded about the genuineness of industrial and commercial interest in education, then such organizations must show more concern, more initiative, and give more support to school interests."

"If we allow this constant drift toward centralized bureaucratic government to continue . . . there will be a swarming of bureaucrats over the land. Ownership of property will gradually drift into that central government and finally you have to have dictatorship as the only means of operating such a huge organization . . . It is things such as that that we must watch today."

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# **business insurance recently?**

Most Management Men know that the problem of providing proper insurance protection for all risks and hazards requires highly specialized knowledge. But few firms have such specialized help available in their own organization.

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EBASCO's Insurance Department maintains a staff of insurance specialists equipped by experience and training to analyze the diverse insurance problems of its clients. These men have developed proven procedures and methods which will immediately afford advantages to any new client, as well.

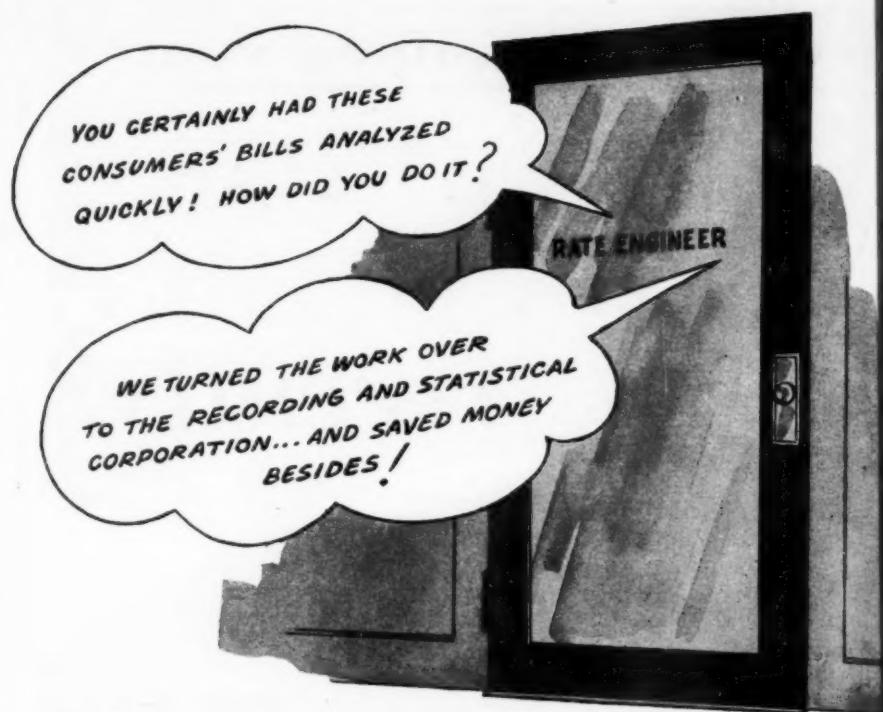
It should be remembered, of course, that EBASCO sells no insurance. Its services are *advisory* in character. They are designed to help you to determine whether your insurance program is adequate in scope and reasonable in price.

Our insurance consultants will welcome the opportunity of discussing your insurance program with you. There is no obligation for preliminary consultation.

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**Y**OU will be interested to know, we think, why so many utilities throughout the country turn to Recording and Statistical for bill analyses.

The reasons are important:

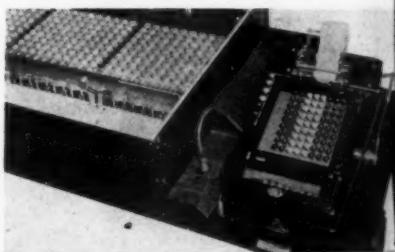
1. *We can compile accurate and helpful analyses for you in  $\frac{1}{2}$  the usual time.*
2. *The cost to you is often  $\frac{1}{2}$  the expense of having the work done right in your own offices.*

At Recording and Statistical, the tabulations are made on specially designed electro-mechanical equipment. As many as 200,000 bills can be analyzed each day by our trained personnel. Consequently, the cost to you is only a small fraction of a cent per item!

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concerning this accurate and economical method of compiling bill analyses. Why not see it right now?



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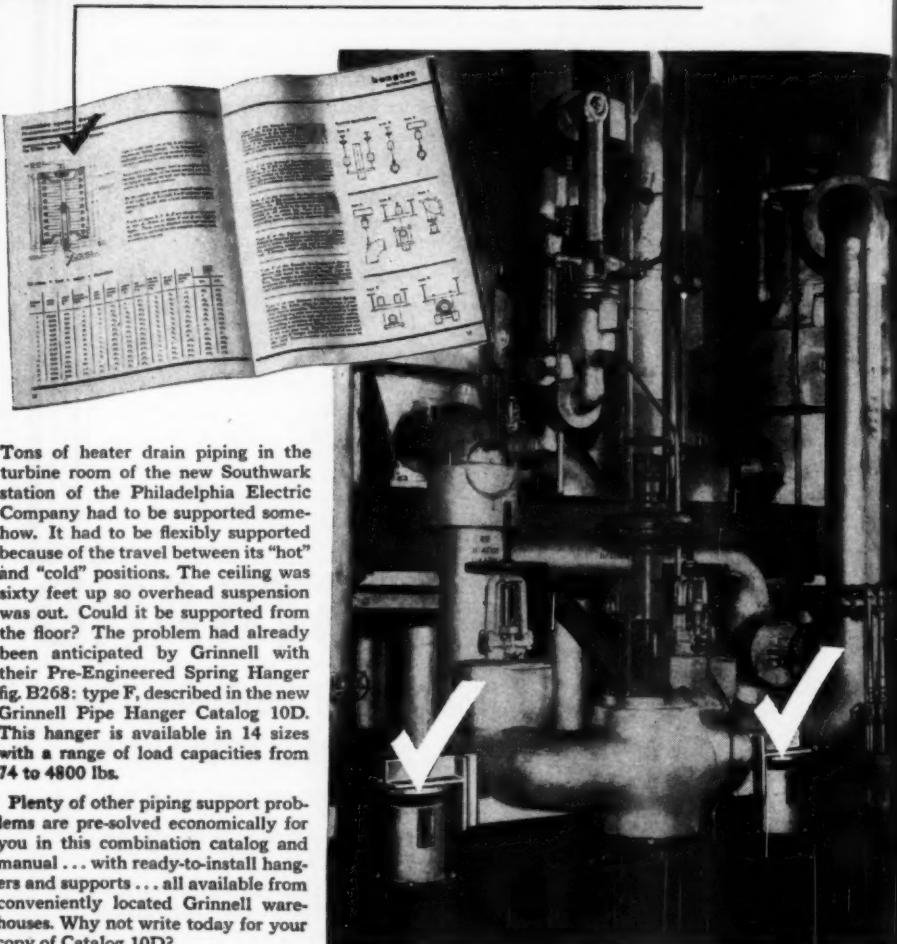
Sunstrand Wire Rope is made on the most modern wire rope machines in use today. All types and sizes are available including 1 x 7 construction galvanized steel strand made to ASTM specifications.

Write today for our price list and complete information on Sunstrand Wire Rope for utility uses.



**SUNBURY WIRE ROPE**  
**MANUFACTURING COMPANY**  
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## The problem was "special" but the solution came "out of stock"



Tons of heater drain piping in the turbine room of the new Southwark station of the Philadelphia Electric Company had to be supported somehow. It had to be flexibly supported because of the travel between its "hot" and "cold" positions. The ceiling was sixty feet up so overhead suspension was out. Could it be supported from the floor? The problem had already been anticipated by Grinnell with their Pre-Engineered Spring Hanger fig. B268: type F, described in the new Grinnell Pipe Hanger Catalog 10D. This hanger is available in 14 sizes with a range of load capacities from 74 to 4800 lbs.

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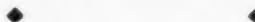
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# Utilities Almanack

S

SEPTEMBER

S

29	T <sup>h</sup>	Association of American Railroads, Communications Section, ends annual meeting, Portsmouth, N. H., 1949.
30	F	American Water Works Association, Michigan Section, ends annual meeting, Traverse City, Mich., 1949.

S

OCTOBER

S

1	S <sup>a</sup>	National Television and Electrical Living Show begins, Chicago, Ill., 1949.
2	S	American Transit Association begins annual convention, Atlantic City, N. J., 1949.
3	M	National Association of Corrosion Engineers, South Central Region, begins meeting, Dallas, Tex., 1949.
4	T <sup>u</sup>	Canadian Electrical Manufacturers Association begins annual meeting, Niagara Falls, Ontario, Canada, 1949.
5	W	New England Gas Association, Operating Division, begins one-day meeting, Providence, R. I., 1949.
6	T <sup>h</sup>	Association of Iron and Steel Engineers ends annual convention, Pittsburgh, Pa., 1949. ☺
7	F	Pennsylvania Electric Association, Prime Movers Committee, ends meeting, Sunbury, Pa., 1949.
8	S <sup>a</sup>	American Gas Association will hold annual convention, Chicago, Ill., Oct. 17-20, 1949.
9	S	American Water Works Association, Southwest Section, begins annual meeting, Oklahoma City, Okla., 1949.
10	M	United States Independent Telephone Association begins annual convention, Chicago, Ill., 1949.
11	T <sup>u</sup>	American Standards Association begins annual meeting, New York, N. Y., 1949. Iowa Utilities Association ends management conference, Des Moines, Iowa, 1949.
12	W	International Association of Electrical Leagues begins annual conference, Cleveland, Ohio, 1949.

## **Yesterday's Streetcar**

*Recent restoration of early head and trailer cars used on the streetcar lines.*

VOL

**THE CAPITAL TRACTION CO**

**303**

**52**



# Public Utilities

*FORTNIGHTLY*



VOL. XLIV, No. 7

SEPTEMBER 29, 1949

## Postwar Transit Progress

An analysis of current trends and economic problems in the transit industry from the standpoint of an experienced regulatory authority.

By JUSTUS F. CRAEMER\*

### *Intercity Bus Operations*

HERE are few communities which are not served directly or indirectly by the intercity bus industry. For many communities it represents the sole means of public conveyance. Consequently its welfare is a matter of concern to every part of the nation.

Intercity transit bus service had its real beginning after World War I and expanded tremendously during World War II.

The first transcontinental through

service was established by the Yelloway Lines in October, 1928. This line pioneered through service from California points to New York city via Salt Lake City, Chicago, Detroit, and Pittsburgh.

For approximately four years prior to the establishment of this service, transcontinental service was possible only via a series of connecting lines. This arrangement required numerous transfers and travel via different types of equipment.

It was not until 1929 that a consolidation of a number of regional systems brought the present pioneer national system, Greyhound, into being. Expansion of this and similar operations

\*Retiring president, National Association of Railroad and Utilities Commissioners, and member, California Public Utilities Commission. See also "Pages with the Editors."

## PUBLIC UTILITIES FORTNIGHTLY

has since reached into all parts of the nation.

### *Business Expands*

LIKE other transport agencies, the intercity bus lines experienced a tremendous expansion of business during the war years. There were 149 class I carriers in this field as of 1939, which is the class having revenues of \$100,000 or more. By 1948 there were 256 bus lines in this class. The volume of business transacted by these carriers expanded at an even greater rate. The table below shows the operating results of recent years in contrast to 1939.<sup>1</sup>

#### TREND IN BUS OPERATIONS

Year	Number of Revenue Passengers Carried (Thousands)	Bus Miles Operated (Thousands)
1939 .....	133,656	466,260
1945 .....	497,633	955,587
1946 .....	477,666	1,065,352
1947 .....	443,316	1,047,056
1948 .....	440,428	1,090,452
1949 (First Quarter) ...	123,733	263,613

The foregoing table also shows the declining trend since 1945 in the number of passengers carried, although the number of bus miles operated maintains a steady growth.

### *Declining Trends*

THE decline in the number of intercity passengers carried has adversely affected the revenues of these carriers but has not reduced to any appreciable extent operating expenses.

<sup>1</sup> Charter operations are omitted from this tabulation of 1939 data from *Bus Facts*, 18th Edition, Table 1, page 7; data for 1945 through 1948 from ICC annual reports Q-750 (BRE); 1949 data from July 11, 1949, Monthly Comment ICC Bureau of Transport Economics and Statistics.

The trends of revenues earned and operating expenses for all operations by intercity carriers are shown in the table.<sup>2</sup>

#### TREND IN URBAN BUS ECONOMICS

Year	Total Operating Revenues (Thousands)	Total Operating Expenses (Thousands)	Operating Ratio
1939 .....	\$113,459	\$ 94,637	83.4
1945 .....	419,630	295,952	70.5
1946 .....	414,549	328,126	79.2
1947 .....	390,805	335,420	85.8
1948 .....	415,543	363,650	87.5
1949 (First Quarter) ...	87,118	87,354	100.0

It will be noted that operating expenses continue a steady climb while revenues have fallen off since 1945. On the basis of 1939 figures the revenues of 1948 represent an increase of 266 per cent but expenses represent an increase of 284 per cent. It is still too early to judge the final outcome of 1949 bus operations. However, it is evident from the reports for the first quarter that these carriers may well face a difficult year in 1949.

### *Transit Lines*

THE transit industry of the country has been experiencing a definite downward trend in the volume of traffic. Recent nation-wide statistics disclose that, for the first five months of 1949, traffic was 9.46 per cent below a year ago. In May, 1949, passenger traffic was 10.29 per cent below that of May a year ago.

The well-established trend of transition from electric rail line to trolley coach and motorbus operation is continuing at a constantly accelerated tempo. The decline in the past twenty years in surface, subway, and elevated

<sup>2</sup> Same references as footnote<sup>1</sup>.

## POSTWAR TRANSIT PROGRESS

ail transportation shows these carriers operated 41,600 route miles in 1926, while they operated a bare 15,000 miles in 1947. Meantime, motorbus route operations which totaled 36,900 route miles in 1926 have increased to 95,350 route miles in 1947.

Trolley coach operations have increased from a starting low of 39 route miles in 1938 to a total of 2,797 miles in 1947.

Unfortunately, 1948 operating statistics are not available, but the reports we do have are indicative of the trend.

Requests for relief in the way of fare increases have been general throughout the nation since the close of the war. The 5-cent fare has long since gone the way of the "Wooden Indian" and the 5-cent cigar. Ten-cent fares are becoming almost universal as base fares, while many fares have been authorized substantially above this figure.

### Operating Costs

HIGHER costs of vehicles as well as materials and supplies are an important factor in operating expense.

The largest single operating expense, however, incident to the operation of transit lines is that of labor. Wages have been increased by approximately 100 per cent since the prewar period. In addition, there has been a country-wide trend to reduce the period of the base pay workweek from forty-eight

to forty hours. This means that service of the employee engaged in excess of forty hours per week is paid penalty time.

The restrictions that are included in the labor agreements have a further effect on total labor costs. Transit industry peak movements occur during the morning and evening rush hours. In the past, it was possible in many cases for the employer to spread the hours of employment over a period as long as twelve hours. Thus, it was possible to arrange the employee's time so that he would be available for service to meet both morning and evening peak-load periods.

Today the length of the spread of hours has been materially reduced. Carriers must now pay penalty time or employ two sets of operators to meet the morning and evening peak demands with a minimum guaranty for a full day's pay as prescribed in labor agreements.

### Peak Traffic a Problem

ANOTHER factor diminishing the carrier's returns is the fact that the time of peak load has narrowed and increased in volume. Off-peak traffic shows a material decline. This results in an unbalanced operation from the standpoint of arranging schedules to get the maximum service within the allowable period without the payment of penalty time.



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## PUBLIC UTILITIES FORTNIGHTLY

To reduce operating expenses, the carriers have on the average increased the carrying capacity of the rubber-borne vehicles approximately 50 per cent during the past decade.

The transit industry's major problem today is to operate on a fare structure which will attract the largest volume of travel. At the same time, it must provide sufficient revenue to meet the cost of service. Management today is confronted with the problem of attempting to determine the point of diminishing returns in relating fare to volume of traffic.

### *Motor Carriers of Property*

INTERCITY transportation of property by motor carriers is recognized as essential to the economic life of our nation. Their services first came into

public notice following World War I. During World War II, domestic service by water carriers was cut off and the railroads were loaded to their limit by war traffic.

Trucks here proved their value as transport agencies in spite of restrictions on repair parts, tires, and operating speeds. The war experience has been extremely useful to motor carriers in many ways not only in the technical improvement of equipment but also in operating experience with heavier loads of freight and particularly in longer-haul service.

Today it is not difficult to find truck lines operating jointly the length and breadth of the nation. With better highways and new equipment we may well anticipate an increase in this type of service.



### Sample Day's Transit Business

"**O**n an average weekday Capital Transit carries something over a million passengers. During rush hours we operate about 1,340 streetcars and busses to take you, and your neighbors, to and from work. Oddly, 40 more streetcars and 30 fewer busses are required in the evening rush hour than for the morning rush. During the slack nonrush hours only 529 vehicles, or about 40 per cent of those needed in rush hours, are required to handle the load.

"In the course of an operating day our fleet travels more than 131,000 miles, equal to five times around the earth at the equator. To do this we must provide our busses with about 28,000 gallons of gasoline. That's enough for you to drive an average automobile 420,000 miles. The streetcars daily use 280,000 kilowatt hours of 600-volt electricity. That would light your home for over 185 years, if it were ordinary 120-volt house current.

"Over 5,000 men and women are needed to keep our streetcar and bus fleet rolling in your service. Half of them are operators, the men you meet every day on your way to and from work, school, and play. The rest are behind-the-scenes workers who repair streetcars and busses, maintain track, prepare schedules, and do the hundreds of other jobs required by round-the-clock operation."

—EXCERPT from "Transit News," published by Capital Transit Company.



## Businessmen Are Urged To Aid Transit

Among the factors contributing to inferior service are excessive abortive peak loads, decentralization of population, curb parking, and lack of adequate community support for service improvements. Responsibility for trend towards socialization.

By HERBERT BRATTER\*

In a publication entitled "Businessmen and Public Transit Service" the Chamber of Commerce of the United States lists seven ways in which businessmen can help transit companies maintain good service. The publication, available in quantity at 5 cents per copy from the chamber's transportation and communication department in Washington, is the work of the committee on urban transportation, which is chairmaned by Laurence F. Lee of Jacksonville, Florida.

Pointing out that businessmen have the most to gain when public transit is able to move great numbers of customers swiftly and comfortably into business districts, the report urges businessmen to:

1. *Support public officials* in their efforts to speed transit movement, espe-

cially during peak hours, by revision of present traffic-control devices and intelligent consideration of transit needs in future planning.

2. *Encourage better transit service*, including greater use of limited stops, turn-back, and express service.

3. *Discourage unwarranted extensions* and other unprofitable services which might affect the financial stability of the transit company.

4. *Encourage customers and employees to use public transit through:*

Handbills	Radio and television
Window displays	advertising
Store-wide displays	Billboard advertising
Moving pictures	Speeches before business and civic groups
Newspaper advertising	

5. *Sponsor greater use of staggered hours* for employees of large business and industrial concerns, thereby spreading the rush-hour strain on transportation facilities.

6. *Urge utility commission to con-*

\*Economist and author of articles on international finance, Washington, D. C.

## PUBLIC UTILITIES FORTNIGHTLY

sider promptly transit company requests for fare increases and to quickly grant relief if needed.

*7. Support relief from unfair local taxes* and special assessments which increase the cost of providing first-class transit service to the public.

The report appeals to businessmen to support this program on frankly selfish grounds, since the movement of more people into the shopping districts of cities may mean the difference between profit and loss. Good transit service brings more customers downtown; makes it easier for employees to get to work and return home; eases traffic congestion; and in many other ways intimately affects everyone's business and personal life, the chamber states. With millions of persons daily dependent upon transit vehicles to get to and from work, shopping centers, amusement areas, and the like, the quality of the service will play an important rôle in the future growth or decline of such centers and areas and is therefore of direct concern to merchants and property owners.

### *Factors That Hinder Good Service*

FOUR factors which hinder good service by transit companies are listed and discussed by the chamber: traffic congestion, equipment financing difficulties, inadequate revenues and fares, and unfair local taxes.

Traffic congestion makes it necessary to provide more transit vehicles and more men to furnish adequate service to riders; also many extra vehicles during morning and evening rush hours. All this greatly increases costs and overhead. For the relief of congestion the report calls attention to alleviating measures which have been found use-

ful in increasing the movement of transit vehicles as much as 25 per cent. Some of these measures are taken by the community; others are carried out by the transit companies themselves. In the former category are: one-way streets, no-curb parking, no left or right turns, modern traffic signal systems. In the latter category are express service during rush hours, provision of limited stops, and turn-back service on long lines.

In modernizing its service and equipment during the past fifteen years the transit industry has had to contend with equipment-financing difficulties. Today equipment financing is principally through short-term bank loans. According to the chamber's report:

The present level of net earnings, only 1.1 per cent in 1948, will not permit a continuation of this practice, nor will it attract new long-term financing to ease the burden of fixed charges. This is the present dilemma of transit properties in most cities, whether privately or publicly owned. Over the past ten years the average earnings of the transit industry were only 2.6 per cent and at no time during that period did earnings reach more than 4.1 per cent. This long record of poor earnings seriously threatens the efforts of the industry to further modernize and improve service.

RISING costs in recent years have hit the transit industry hard. Of every dollar received, 55 cents goes to pay wages and 15 cents is spent for new equipment, maintenance, supplies, and fuel. General expenses and taxes absorb most of the remainder. Hence transit companies have had to seek fare increases so as to provide the proper services and stay in business, but with present regulatory procedures many months sometimes elapse before action is taken

#### **BUSINESSMEN ARE URGED TO AID TRANSIT**

century by the regulatory authorities, with the result that losses are increased; for fare increases, unlike wages, cannot be made retroactive, the chamber's report points out. Nor are fare increases, when granted, always adequate from the industry's viewpoint.

Rapidly growing communities have thrown an added burden on many transit companies, which must extend their lines regardless of profitability. With the average length of ride thereby increased, the straight cash fare sometimes becomes too expensive for the passenger who is going only a short distance and uneconomic for the transit company concerned. Therefore some transit companies have been resorting to the use of zone fares.

### *Socialization Trend Affects Transit*

THE passage of transit companies into municipal ownership has become fairly commonplace in recent years, largely because of the reluctance of communities to see to it that the companies under private ownership earned enough to provide adequate service. Realization of this fact underlies the report on urban transportation published in 1948 by the Chamber of Commerce of the United States and the latter's policy declarations on public transit; namely:

Every effort should be made to facilitate and encourage greater use of local transit.

Efficient service can be best attained through private operation, with the capitalization, fares, and service under the regulation of a state utility commission or a properly designated official agency within the metropolitan area having jurisdiction over all types of local passenger carriers.

Since efficient and improved public transit is dependent upon its ability to attract investment capital, transit should be given a more favorable business climate in which to operate and should have relief from special and burdensome assessments.

Further use should be made of limited stops, turn-back service, express service, and other methods of improving transit service and expediting transit operations, including application of staggered working hours for business and industrial employees. Unwarranted route extensions and other unprofitable services affecting the financial stability of the transit carriers should be discouraged.

Studying the transit companies' problems the chamber found four to be outstanding. The first is the excessive short-time peak load. Second is the problem of decentralization of city populations, necessitating longer lines. Third is lack of adequate community support, such as failure to provide adequate transit loading zones, to properly regulate traffic, or to include transit in developing street and transportation plans. Fourth is the burden of special taxes and assessments, such as the cost of constructing and maintaining paving in the track area, track removal, etc.



**G**"With millions of persons daily dependent upon transit vehicles to get to and from work, shopping centers, amusement areas, and the like, the quality of the service will play an important rôle in the future growth or decline of such centers and areas and is therefore of direct concern to merchants and property owners."

## PUBLIC UTILITIES FORTNIGHTLY

Transit companies pay a variety of city and state taxes, like the gross receipts tax, taxes on the number of busses or seats, ad valorem taxes, income taxes, and gasoline taxes.

**C**ONCERNING the trend toward public ownership, the chamber last year reported as follows :

Every effort should be made to make transit service as attractive as possible and to avoid types of service that reduce the efficiency of the entire system. Studies should constantly be made to improve transit service and to meet the changes, the riding habits, and demands. Limited stops, turn backs, and express service should be applied more generally when and where warranted. Special efforts should be made to develop off-peak loads so as to utilize more efficiently equipment and man power. Business, industrial firms, and schools should make greater use of staggered hours to help spread the transit peak load and also to help cut street traffic congestion that accompanies the morning and afternoon rush periods. Staggered hours, which proved highly effective during the war, are considered a major and necessary solution to the traffic jams of our cities by leading traffic authorities.

The trend toward public ownership of transit has again started. Within the past several years transit properties in San Francisco, Boston, and Chicago have been purchased by the communities. Other large transit properties that became municipal operations before the war included Cleveland, Detroit, Seattle, and New York city. Lack of an adequate fare to maintain good service was probably the biggest single reason for this undesirable trend to municipal ownership and operation.

Transit fare structures in recent years have been based almost entirely on a flat or single fare for the entire community. Zone and special fares have been used very little. As transit companies are forced to extend their

lines, meet higher operating costs, and provide special services, revisions in the fare structure will generally become necessary. More consideration will have to be given to the length and hour of ride in determining a new fare structure, especially as it becomes necessary to further raise the transit fare.

Transit company officials might usefully disseminate these and other findings of the Chamber of Commerce among local businessmen. Chamber publications are available in quantity at special prices, or may be quoted from without cost.

### *The Taxes Transit Totes*

**T**RANSIT companies are subjected to a great variety of taxes: local, county, state, and Federal, which are levied in a variety of combinations and degrees throughout the country. Some of these taxes, like the gross receipts tax, which is quite common, are unique and lay a heavy burden on the companies. Transit taxes may be grouped under thirteen heads, as follows:

- Corporation tax
- General property tax
- Net income taxes on corporations
- Franchise, privilege, license, occupation, etc., taxes as common carriers
- Gross receipts tax
- Corporate loans tax
- Inspection and supervision fees
- Sales and transportation service
- Motor vehicle registration fees
- Gasoline and Diesel fuel taxes
- Lubricating oil taxes
- Operators' and chauffeurs' license fees
- Emergency relief taxes

Where a transit company serves more than one political jurisdiction, the local and state taxes tend to be multiplied by two. In Kansas City, for example, the Kansas City Public Service

## BUSINESSMEN ARE URGED TO AID TRANSIT

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### Transit-shopping Tie-in

**T**o encourage their customers to use busses rather than private cars when shopping, the [Sacramento, California] retail merchants' association backs an 'encouragement plan,' whereby a passenger riding downtown between 10 AM and 4 PM receives a dated ticket when he pays his fare. If that day he buys at least \$1 worth of merchandise from one of the coöperating stores he may turn in the ticket and receive in exchange two bus tokens, enough for a round trip."

Company some years ago published a list of no less than 76 different taxes which it had to pay to operate across the state line. By 1947 the number of taxes and other government charges on this company had increased to 81 and constituted a severe drain on its resources.

Of its tax bill the company's annual report stated: "It discloses an increase in every tax classification except income taxes (those latter being eliminated in 1947 because there was no income left to tax)."

The gross receipts tax mentioned above ranges from 3 to 5 per cent of gross revenues. Like other taxes, it is a cost of doing business and tends to be reflected in higher passenger fares. "Such special taxes," states the Chamber of Commerce, "introduce an unnecessary cost into the operation of the

transit system and thus discourage transit riding. This loss of customers, in turn, prevents transit companies from providing better service." And it tends to increase traffic congestion by encouraging people to bring their own cars downtown.

### Parking Elimination

**E**LIMINATION of curb parking is a great boon to transit companies and their customers, but is all too often opposed by merchants in the erroneous belief that it is essential to their businesses. Yet the merchants themselves are sometimes inconsistent when, in downtown areas, they fill up curb space which otherwise would be available to the public.

Experts maintain that only the exceptional downtown business could survive if dependent largely on customers

## PUBLIC UTILITIES FORTNIGHTLY

who could find parking space nearby. A frontage of 60 feet would accommodate only three cars at a time.

In Philadelphia at the war's end the traffic problem was tackled by a special council whose members included transit officials, businessmen, representatives of hotel and theater groups, auto clubs, the largest taxi company, and others. Financed by the merchants and transit companies, a firm of independent business analysts buttonholed some 5,000 shoppers in the stores and, noting the tag numbers of curb parkers, interviewed the latter by mail. The merchants who had gagged at suppression of curb parking for fear of what that might do to their business were astounded at the results of the survey. Less than one shopper in ten used a private car to get to the downtown stores. Of that small group only 2 per cent in turn parked on the streets. The merchants were fully convinced and raised no objection when curb parking was completely forbidden in a 100-square-block area in the heart of Philadelphia. The new restrictions were introduced only after a 2-month period of wide local publicity and discussion, with the result that the general public assisted the police in enforcing the no-parking ban.

MOTOR traffic in the downtown area was speeded up by about 75 per cent, trolley speeds by 20 per cent, reducing headway time to two minutes or less. Street accidents, to the satisfaction of the transit company officials, declined by about 15 per cent. Cab drivers gained in freer movement what they lost through loss of parking privileges. The scheme, initially adopted as a test, was soon made permanent.

SEPT. 29, 1949

Robert A. Mitchell, master minder of the Philadelphia plan, states: "We found that 100,000 such [passenger cars] in Philadelphia carry an average of only 1.8 passengers each, but jostle daily with busses, trolleys, and trackless trolleys . . . trucks . . . and taxis . . . We found that merchants had been wrong for the most part in opposing the control of private parking in midtown . . . Of those who were parked at the curb, one in five was owner, officer, or employee of a business that stood to suffer most from midtown traffic congestion."

### *Coöperation in "Fringe Parking"*

FRINGE parking offers merchants and transit companies a good field for coöperation, having been tried out successfully in many cities during the past decade. For the success of fringe parking, adequate shuttle or other transit service is necessary. Setting up such service calls for careful study of the experience of other communities. There are problems such as the opposition of private parking lots in the congested district, proper routing of busses or streetcars, satisfactory fares, and the like. Last year's fringe-parking experiment in Washington, D. C., for example, failed because the fares charged for the shuttle service were too high.

Common faults of shuttle bus service, according to the Automotive Safety Foundation, are:

Routes not carefully determined so as to provide a sufficient volume of 2-way traffic.

Too-long intervals between busses and stops not carefully planned.

Too high fares.

Inadequate publicized parking and shuttle service.

## BUSINESSMEN ARE URGED TO AID TRANSIT

AFTER the war Chicago businessmen and city officials determined to tackle the traffic problem by a fringe-parking system which would obviate mistakes in that and other communities. The State Street Council of merchants and property owners made an unusual agreement with the local bus company. To assure quality service from the start, the council underwrote the operation of the shuttle busses, guaranteeing the company against operating losses during the first six months. To attract the public, the agreement provided for busses at 5-minute intervals; service into the interior of the parking lots; 5-cent fares; and well-planned routes with fast service and convenient stops. The agreement covers service to two fringe-parking lots, the municipal lot on Monroe street and that at Soldier's Field Stadium.

Reporting on the then new Chicago service, Pyke Johnson of the Automobile Safety Foundation late in 1946 stated:

From the outset the new shuttle bus service won an increasing patronage. On the old basis parked cars at Soldier's Field numbered only about 100 daily. Within two weeks the new system brought the average number of parked cars up to 800 . . . A new high was set—1,800 parked cars the day after Thanksgiving.

The enterprise of Chicago businessmen related above extends to broader fields. The State Street Council and the Chicago Association of Commerce

are coöperating in a study aimed at determining a long-range action program on parking . . .

### Other Examples

ANOTHER type of fringe-parking and shuttle service is that operating in Hartford, Connecticut. There the Connecticut Corporation, in coöperation with businessmen and city officials, serves a perimeter parking lot on a 3-mile route that loops through the principal sections of the downtown shopping district. The state of Connecticut contributes gratis the use of a parking lot at the State Armory. Busses leave the armory and the downtown end of the shuttle line at 7½-minute intervals between 9 AM and 4 PM. For two reasons the company did not undertake to provide shuttle service during the rush hours. First, it needed all its equipment at those times. Second, it felt that the limited hours would tend to get shoppers out of the business district before the evening rush hour.

The company adopted a combination parking-and-shuttle-bus ticket, the first section of which is put on the car by the lot attendants. The next two sections are collected by the bus drivers, and the fourth section is used to reclaim the car on the lot.<sup>1</sup> The shuttle busses stop at all regular stops, and transfers are issued on the combination ticket to other routes operated by the

<sup>1</sup>Facsimile of the ticket appeared in *Bus Transportation* of February, 1947, page 63.



**Q**"SOMETHING different is the 5-cent shoppers' special bus service inaugurated experimentally last December by the San Antonio Transit Company over a mile-and-a-half loop route in the downtown district. Five busses are employed on a 3-minute headway. No transfers are accepted or given."

## PUBLIC UTILITIES FORTNIGHTLY

company. The total charge for parking and shuttle service is 20 cents. The service has met with enthusiastic approval of local merchants and the public, and the Connecticut Company feels that the plan has been a worthwhile investment in good public relations.

In Baltimore a similar system is in operation. The parking lot is open from 7:30 AM to 6:30 PM. Before 9 AM the busses leave for downtown at 5-minute intervals; thereafter, until 4, at 7½-minute intervals. From 4 to 5:30 they return to the 5-minute frequency. Each parker buys a 25-cent combination ticket. Nonparkers may ride the shuttle bus for 5 cents. Of its loop service the Baltimore Transit Company in its posters and advertisements says: "It's cheaper than walking."

### *Merchants Can Help in Other Ways*

**S**ACRAMENTO, California, merchants employ a method of minimizing traffic congestion which might be useful in other communities. To encourage their customers to use busses rather than private cars when shopping, the retail merchants' association backs an "encouragement plan," whereby a passenger riding downtown between 10 AM and 4 PM receives a dated ticket when he pays his fare. If that day he buys at least \$1 worth of merchandise from one of the coöperating stores he may turn in the ticket and receive in exchange two bus tokens, enough for a round trip. During its first three months this scheme cost the 62 coöperating stores about \$8,000, the average store purchase under the plan being \$4. During the first three months' operation under the plan, bus traffic hauls have averaged about 11,000 more than in the previous year.

Over the years similar methods of attracting shoppers have been used in different cities either as special events or for longer periods. Sometimes free rides are offered by the transit companies themselves, as in the case of the Columbus (Ohio) Railway, Power & Light Company, which a few years ago offered free bus, car, or trolley trips to all incoming passengers between 9 and 11 AM on two pre-Christmas-shopping days. Similar free rides have been offered on occasion in Ft. Wayne, Indiana, Springfield, Massachusetts, Birmingham, Alabama, etc. More interesting are the offers of free rides by merchants. In Johnstown, Pennsylvania, last year a local store celebrated its anniversary sale by giving customers free streetcar and bus rides. Paterson, New Jersey, to ameliorate the traffic problem, has tried a free shopper's bus, supported by some 270 local merchants.

**T**HIS year the Baltimore Transit Company launched a reciprocal advertising program in coöperation with certain local stores. The latter in their regular newspaper advertising remind their customers of the ease with which their establishments can be reached by transit. The BTC in turn, in its "Read As You Ride" folder, mentions those stores and tells how to reach them via BTC lines. The BTC believes that this is a good way to build up good will and revenues without added advertising expense to itself.

Also in Baltimore the Maryland Trust Company has used local newspaper advertising to call its customers' attention to the fact that the bus stops in front of its door. In New York R. H. Macy & Co., large department store, uses newspaper space at times to call

## BUSINESSMEN ARE URGED TO AID TRANSIT

attention to convenient transit services. Some years ago Macy's ad writer turned to verse to express this thought. The rhyme, which was accompanied by an eye-catching sketch of similar mood, read as follows:

### *ODE TO A STREETCAR*

O matchless Thirty-fourth street car!  
O fine upstanding trolley!  
Your influence is felt afar.  
You traffic not with folly.

Day in and out you sagely dash  
Straight to our doors, determined  
Upon a program strictly cash  
For both the poor and ermined.

*Pay-as-you-enter* is the scheme  
That keeps you going places.  
*Pay-as-you-go's* the thrifty theme  
That brings the crowd to Macy's.

WITH the same general thought in mind the Chicago Transit Authority last year circulated among local stores a large cardboard folder, headed: "Your Ads Tell People What and Where to Buy . . . Do Your Ads Tell People *How Easy It Is to Get There?*" The folder suggests use of both newspaper and radio for this purpose: "Takes little space or radio time—Does a big job." The folder offers to merchants free cuts of various sizes depicting streetcar, bus, L-subway or combination, for use in their advertisements.

Something different is the 5-cent shoppers' special bus service inaugurated experimentally last December by the San Antonio Transit Company over a mile-and-a-half loop route in the downtown district. Five busses are em-

ployed on a 3-minute headway. No transfers are accepted or given. Coincident with the new service the city banned parking on the loop route. The arrangement was instituted at the request of local merchants, after traffic congestion had become "impossible."

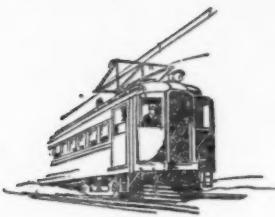
A. Harris & Co., merchants in downtown Dallas, Texas, operate a "parking center" about eight blocks away. Five-minute bus service to and from the store is provided free, the customer, however, paying for the parking privilege: 35 cents for three hours, 50 cents for all day. For a full year the company advertised its new service through the newspapers, through package enclosures, and individual letters.

DESPITE the variety of efforts to solve the problems of traffic congestion brought by the motor age, it is apparent to anyone living in or visiting a city that the situation calls for perennial attention. Each generation of businessmen and the general public needs to be educated by itself. The situation calls for constant coöperation between transit companies and business organizations. The Chamber of Commerce of the United States is alert to the problem. It has available a variety of publications and ideas of use to the transit industry. Transit company officials may profit by communicating with the chamber's transportation and communication department, H. F. Hammond, manager.

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**“**ONE effective way to minimize government intervention in the economy is to make such government action unnecessary in a period of emergency because of effective voluntary measures by industry.”

—EDITORIAL STATEMENT,  
*The Journal of Commerce.*



## Crisis in Transit

*Transit companies in a number of American cities are becoming more and more concerned over the possibility that increased fares may be reaching an economically "diminishing point of return." With the high postwar production of automobiles placing more private cars on the streets every day, transit operators are worried about patronage resistance to fare increases which are required to offset the rapid rise in operating expenses. In Cincinnati, the local company decided to take a chance on voluntarily foregoing a fare increase to which it was admittedly entitled under the terms of its service-at-cost contract with the city. Instead, it is seeking to cut down operating cost and avoid the strain on its patronage which a new fare might impose. The author of this article was assigned to write a firsthand account of how the Cincinnati transit problem is being handled.*

By GEORGE W. KEITH\*

THE Cincinnati Street Railway Company has been operating under what is known as a service-at-cost plan—first established in 1925. Since June 15, 1949, it has been working under a municipal emergency ordinance which is very important for a number of reasons—reasons which other transit companies in other areas may recognize as an all too familiar pattern of postwar pressure on the economic structures of typical urban transit companies.

This Cincinnati arrangement is important to the riding public of that city, however, because its adoption obviated the necessity to increase fares one-half cent on July first.

To the company, it is important because it saves its estimated part in main-

taining the street surfacing in its track areas, and the cost of certain paving restoration under the service-at-cost arrangement; and because the local management has had to make a rather courageous decision—namely, to forego a rise in fare in the face of declining rider number, with its corollary of shrinking revenues.

Between now and January 1st the two contracting parties, company and city, must try to find a way to continue the present highly regarded transit service, without letting fares get beyond control.

At the same time it must attempt to solve the problem of compensating the shareholders of the company, in a fair degree, for the money they have invested, and for their faith in Cincinnati's private operation of the system. How have all these factors been treated

\*For personal note, see "Pages with the Editors."

## CRISIS IN TRANSIT

under the latest Cincinnati arrangement?

"**F**OR an understanding of the matter," Morris Edwards, president, said in an interview with this writer, on special assignment from PUBLIC UTILITIES FORTNIGHTLY, "it must be remembered that the local transportation system is in almost the same status as if it were a city department, since its service operation and accounting are under the control of the city, with the provision that the rate of fare must be increased if necessary to provide receipts sufficient to meet all cost of operation, including a limited return on capital invested.

"Receipts have not been sufficient to pay all costs since 1947 because of rapid increases in the costs of wages, materials, and supplies, and therefore fares have had to be raised.

"Under the terms of the contract between the city and the company, increases can only be one-half cent at a time, and no oftener than four months."

To the query, if all costs are not being earned, why was the fare not allowed to rise on July 1st?, Mr. Edwards replied:

"That is a natural question, and it was asked by some of our shareholders, who pointed out that an increase in fare from the 10-cent rate prevailing before the war, to the present 12½-cent rate is certainly a much smaller increase than is paid for everything else one buys. They suggested that an increase in fare, and more revenue for the system, might speed up our program for improvement, and provide better service.

"Our answer to that is that the public is much more conscious of increases in car fare than in other costs, probably

because those who ride public transportation are reminded of the fact twice a day.

"Failing to understand the necessities for increases, they are becoming increasingly sensitive to them, especially at a time when there appears to be a tendency in some commodities to a price softening.

"**W**HICH posed the question for us—will further increases tend to reduce riding so that less revenue will be produced by higher rates?

"No one can say with any degree of certainty how much further loss of riding higher fares might cause, but we did not want to venture into that hazardous area until every other possibility is exhausted.

"Two other possibilities existed. We are testing them for six months. One is the prospect of substantial operating economies realizable from our conversion of 14 major lines from streetcar to trolley bus or motor coach operation within the past three years. The largest single conversion was only completed on July 24th.

"These 14 conversions comprise roughly one-third of the mileage of the system. Their results are heartening.

"We want to see what more can be done before taking a step in the matter of fares which might be ill-advised, and certainly would be well-nigh irrevocable.

"The other is the prospect of savings realizable from a more logical treatment of the company's liability for maintenance and restoration of street. We believed the company for years had carried an unduly heavy burden in this respect.

"The city was willing to remove it as

## PUBLIC UTILITIES FORTNIGHTLY

an aid to stabilizing rates of fare, so we concluded that this experiment, in all fairness, should be made before actually making further increases.

"There has been a continual decline in our number of passengers carried, ever since March, 1947. Our latest figures, comparing July, 1949, with July, 1948, show a decline of over a million and a half in passengers carried."

**I**s this drop chargeable to fare increases?, was the next question put to Mr. Edwards.

"Since this decline in passengers carried has not been confined to Cincinnati, or other large cities where the fare has been increased to something like our present 12½-cent rate, but is experienced in smaller cities, where *smaller, or even no* increases have been made, we feel we must look elsewhere for a reason.

"The drop could easily be accounted for by the general slowing up of business, the decline in the number of employees, and the shortening of the work-week, all in line with the experience throughout the nation.

"A determining factor in deciding to forego the July 1st half-a-cent rise was the fact that there has been such a lag in increasing fares in Cincinnati to what it should be, that the deficiencies, month after month, have not only ex-

hausted the Fare Control Fund (which is the piece of machinery governing the rate of fare), but there is an accumulated deficit which, unless something were done about it, would have to be made up from future earnings, and the rate of fare would have to go up until this is done.

"Both the city and the company realized that this could not continue indefinitely without serious repercussions. Where would the spiral end? At what point would the public simply refuse to ride?

"We, the city and company, discussed the matter for many months before arriving at a decision. In the meantime every effort was and is being made to improve the situation.

"Along with the converting of rail lines to trolley-bus operation, some reduction in service has been effected, although it is quite out of the question to reduce service in any degree comparable to the falling off in riding."

**B**y way of parenthesis it must be said here that Cincinnati Street Railway is very rider-conscious, for whenever such things as serious detours occur, the company goes to great lengths to publicize and explain the need for the inconvenience to the riders.

Whether this is due to the workings of the service-at-cost plan, or to the



**G**"THE Cincinnati Street Railway Company has been operating under what is known as a service-at-cost plan—first established in 1925. Since June 15, 1949, it has been working under a municipal emergency ordinance which is very important for a number of reasons—reasons which other transit companies in other areas may recognize as an all too familiar pattern of postwar pressure on the economic structures of typical urban transit companies."

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common sense of the management, the net result, it seems to this reporter, is that the company is the target for relatively little local criticism.

"Adjustments in service," Mr. Edwards continued, "both additions and reductions, are continually being made all over the system to meet shifting in volume of passengers. Overcrowding, of course, must be avoided, and convenience requires satisfactory frequency of cars and busses.

"Reductions in service now being made are very slight, and such as will not inconvenience passengers. In fact, it is doubtful if they would be noticed if not told."

Mr. Edwards added that the percentage of drop in the number of passengers for the current period, as compared with the same period in 1948, is 11.59, while the reduction in service will amount to 2.

However, in spite of various economies practiced, riders were decreasing, wages were going up, keeping pace with everything else. They rose from an average of 62 cents in 1933, to \$1.55 an hour in 1949.

**F**ARES, starting in July, 1947, began going up every four months in keeping with the provisions of the company's contract with the city, making it necessary to replenish the Fare Control Fund.

This fund was devised as a part of the 1925 contract, with the provision that "the rate of fare must be increased if necessary to provide receipts sufficient to meet all costs of operation, including a limited return on capital," to quote from Mr. Edwards' remarks at the beginning of this article.

The fund was set at \$400,000, to

be created and established through the sale of the company's securities. The contract stipulates that on the fifteenth day of each month the company must file with the director of public utilities of the city of Cincinnati a statement of the result of operation for the preceding calendar month. This statement is the basis of fare control.

If any monthly statement shows a deficiency in payment of operating expense, and other expenses, as itemized in the ordinance, including return on capital, the Fare Control Fund is drawn upon.

But, if the fund drops under \$200,000, then an increase in fare goes into effect on the first of the month following. However, only an increase of one-half cent is permitted.

If the fund remains under the minimum figure another increase of one-half cent becomes effective four months later.

On the other hand, if the fund should rise to as much as \$600,000, then the car riders would be presented with a one-half cent drop in fare.

In 1925, when this contract was written for the maximum twenty-five years allowed by the Ohio statutes, every competent authority would have sworn that the \$400,000 figure was sufficient to cover any and all contingencies. They had not heard of Hitler.

Under the terms of the contract either party might ask for a revision after the pact was fifteen years old, such revision to run another twenty-five years.

Accordingly, in 1940, because of the general havoc created during the lean thirties, there was a revision.

Under this the company took over some other smaller transit properties,

## PUBLIC UTILITIES FORTNIGHTLY

so that now it operates all city mass transportation in Cincinnati.

At that time, too, some operations were changed, and certain properties abandoned, and a cut was made in the valuation of the company's stock to the extent of 50 per cent.

Fares were then 10 cents, cash, on streetcars and busses, and 9 cents for streetcar tickets in strips. Schoolchildren's fare was a nickel.

**D**URING the war business boomed, as it did generally, and the situation was so rosy that by 1946 the Fare Control Fund had reached the peak of \$509,445, and had it not been for the imposition of excess profit taxes, the \$600,000 millennium would have been attained, and the car riders given a cut in fare.

Then inflation showed its ugly head. Everything went up. So did car fare, but slowly. On July 1, 1947, an increase to 10 cents flat for cars and busses alike was necessary, and the 9-cent streetcar fare for tickets was discontinued.

The Fare Control Fund had dropped below \$200,000, something, you will recall, which nobody believed could ever happen!

Four months later, on November 1st, fares went up to 10½ cents for tickets in strips, 11 cents cash. Thence every four months fares rose one-half cent, until March 1, 1949, when the fare went to 12½ cents for tickets in strips of six, and the cash fare was 13 cents. Transfers remained free, as always, with schoolchildren still riding for 5 cents.

There the figures stand today, frozen as of June 15, 1949, until December 31, 1949.

Long before this the city fathers and

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the company had gone into the matter with knitted brows, and the results of their almost six months of harassing labor is contained in the emergency ordinance bearing the June date:

To suspend for the period ending December 31, 1949, the provisions . . . which relate to the increase of street railroad, trackless trolley, and motorbus fares; and to adjust and define the obligations of the Cincinnati Street Railway Company with respect to street maintenance, repair, repaving, and resurfacing during the suspension period.

**R**EGARDING the street maintenance clause, Mr. Edwards commented, "Under the provisions of our 1940 contract the company was assessed one-half the cost of street repairs, repaving, etc., within its track areas, but not in excess of \$75,000 in any year.

"It is this payment from which we have been relieved, and which has been mentioned unkindly as a 'subsidy' granted the company. It definitely is not that, inasmuch as the car rider paid for this as part of his fare under the service-at-cost contract.

"It was our belief that it was not fair for the transit riders to have to pay such larger amounts each year for repairs to paving in the streets in which there are tracks, especially in the case of those lines now converted to trolley bus, and on which no tracks are now used.

"In addition to being relieved of this payment, the company's request that it should not have to pay for paving done in streets in which track abandonment occurs or has occurred, was granted."

The foregoing, briefly, is the story of the crisis in transit. As to what will happen after January 1st of next year,

## CRISIS IN TRANSIT

it is significant that the ordinance holding the rate of fares at the present level until that date, has in it also a provision that the company may accept the amount of return on capital actually earned, in lieu of the full return, which will have the effect of avoiding, if the company so acts, the fare increase that would otherwise be put into effect under the automatic fare increase machinery.

It is also significant that previously, in the depression years of the thirties, the company, by voluntary action, avoided fare increases by the same procedure.

THE hope has been expressed by city and company officials that by Jan-

uary 1st of next year, economies in operation, modernization, and other advantages will have put the company in the position where it will be earning by far the greater amount of its cost of service at the 12½- and 13-cent rates.

These fares are about the same as those prevailing in most of our large cities, considering that some of them have extra charges for transfers, or long rides, while Cincinnatians are not charged for these things.

The comparative table shown below is very revealing. It was compiled by the company, on request, for PUBLIC UTILITIES FORTNIGHTLY, and is based on figures which are part of the public records.



### CINCINNATI STREET RAILWAY

#### Effect of Fare Increases

4-month Period Beginning	Fare Control Fund—Be- ginning Of Period	Rate of Fare			Percentage Increase or Decrease in Number of Passengers Carried As Compared with Pre- vious Year		Percentage In- crease or De- crease in Re- venue As Com- pared with Pre- vious Year	
		Cash	Tkts.	Cincinnati	Natl. Average	Cincinnati		
July 1, 1946 ....	\$509,445.59	#.10	.09	+10.01	+ 2.57	+11.63		
Nov. 1, 1946 ....	456,487.04	.10	.09	+ 7.54	+ 2.31	+ 8.90		
Mar. 1, 1947 ....	327,787.62	.10	.09	- 1.64	- 3.66	- 1.02		
July 1, 1947 ....	205,949.32	.10	—	- 3.93	- 5.04	- 1.58		
Nov. 1, 1947 (a)	113,433.96	.11	.105	- 2.69	- 3.51	+ 7.15		
Mar. 1, 1948 ....	27,678.41	.11	.11	- 3.41	- 3.68	+ 8.45		
July 1, 1948 ....	218,456.10	.12	.115	- 7.28	- 7.02	+ 9.33		
Nov. 1, 1948 (b)	401,528.13	.12	.12	- 8.17	- 8.17	+ 1.54		
Mar. 1, 1949 ....	631,515.40x	.13	.125	-11.59	-10.12	+ 1.78		

# These fares were established March 1, 1931.

x A Federal tax adjustment made possible a reduction in fare control deficit; without this the deficit would be \$805,613.22.

It is interesting to note that the national trend of passengers carried by the various transit companies which generally increased fares in bigger jumps than the plan used in Cincinnati, follows very closely the trend in Cincinnati, thus indicating that the repeated increases in the rate of fare did not materially influence the volume of riding. It is apparent from the continued increase in revenue in the face of declining volume of passengers carried that the point of diminishing return has not yet been reached.

- (a) This period in 1948 has one more day than corresponding period of previous year due to leap year.
- (b) This period in 1949 has one less day than corresponding period of previous year due to leap year.

No correction made for (a) or (b).



## Music in Transit

*What is the public reaction to the spreading practice of equipping streetcars and busses with FM radio receivers for programs en route? Puzzled over conflicting statements, one transit company decided to find out via a public opinion survey. The author has written an account of the steps taken by this company to check on the popularity of these musical and news programs with the transit companies.*

By JOHN J. HASSETT\*

**T**HAT was a lusty, noisy infant prodigy who took those bows on September 12th in Washington, D. C.—Transit Progress Day—and there's many a transit company official who will admit the infant earned the applause. At the same time, that official, like a doting father, will shake his head and admit also that the noisy kid has kept him up nights, and perhaps worried him a bit.

The young upstart's name is Transit Radio, better known in the company public relations department as "music-as-you-ride." He is a money-maker, that boy. Developed by a firm in Cincinnati, and installed and operated entirely by a local radio station on a special frequency, Transit Radio offers an opportunity to bus and streetcar companies to add to their revenue, through returns on the "commercials" broadcast aboard the vehicles. So far, the little gadgets have been installed

on transit lines in Washington, D. C.; St. Louis, Missouri; Cincinnati, Ohio; Houston, Texas; Baltimore, Maryland; Kansas City, Missouri; Tacoma, Washington; Worcester, Massachusetts; Des Moines, Iowa; Wilkes-Barre, Pennsylvania; Huntington, West Virginia; Topeka, Kansas; Covington, Kentucky; Evansville, Indiana; Allentown, Pennsylvania; and Bradbury Heights, Maryland, operating to and from the District of Columbia.

**S**INCE many transit firms are currently having difficulty making ends meet, the new radio scheme offers some hope of heading off additional fare increases in the face of higher operating costs. But, just like every new addition to the family, Transit Radio poses special problems, and, in this case, the company's relations with its customers are at stake.

Music, it seems, does not always soothe the savage breast. Nor does it

\*For personal note, see "Pages with the Editors."

## MUSIC IN TRANSIT

always sit well with civilized citizens riding in streetcars and busses. Take the case, if you will, of the Capital Transit Company, operating in Washington, D. C. This company and radio station WWDC-FM started the experimental Transit Radio operation early this year. After six months of operation, they both think it is here to stay, but they have had their anxious moments during the trial run.

Neither the transit company nor the radio station had any idea that "music-as-you-ride" would touch a spot so tender on the hide of the transit rider. But the response of the citizens of the nation's capital, both pro and con, was immediate, emphatic, and sometimes embarrassing.

"D-Day" for Transit Radio in the District of Columbia was January 18, 1949, the day on which joint announcement of the experimental installation of the radios was made. At first, only 20 busses would be equipped for radio transmission. It was announced that the programs would consist mostly of background music, similar to that piped in to better-class hotels, restaurants, industrial plants, stores, and office buildings. The selection of records was to be in the hands of an organization which has made a specialty of such entertainment. Sprightly arrangements of popular and semiclassical tunes were to be played, eliminating jazz or heavy symphonic music. The inevitable commercial, of course, would be sandwiched in during short breaks in the music. The ads were limited to 50 words lasting no more than twenty seconds. Also during breaks, news announcements, time signals, and weather reports would lull the ears of the transit riders.

It was also pointed out that the installation of receivers and the reception of the program was to be without cost to the transit company or its patrons. If the plan were successful, the joint statement read, the transit firm possibly could derive some indirect revenue, which could be credited to its gross income and could proportionately reduce the need for obtaining new fare increases to meet higher operating costs. Furthermore, it was added that riders in Cincinnati, Ohio, and St. Louis, Missouri, among other cities, had overwhelmingly approved the radios.

Neither party to these sidewalk sonatas sat back and rested after issuing this statement. Jointly they hired a market research analyst to check, on the busses and at streetcar stops, the immediate reaction of the folks listening to the new programs. Also, the radio station has constantly asked listeners to write in and tell of their approval or disapproval. It is a good thing the company and the station took these precautions, for the immediate public outcry was enough to convince the "transgressors" that they had created a Frankenstein that could destroy them and their customers.

There was an avalanche of letters to the editor crowding the columns of the local press. A surprising number of complaints arrived from people who had not even heard the radios, but were opposed in principle to the thing. Some citizens' associations, which in voteless Washington are the counterpart of political wards in other large cities, issued formal protests. Other citizens' associations just as promptly defended the radios.

A District government official (now

## PUBLIC UTILITIES FORTNIGHTLY

a judge) declared that the operators of radio-equipped vehicles were too distracted to drive properly and safely. He predicted that the company's accident rate, which is about the best in the country, was sure to go up. While he was at it, this official blasted the use of radios in private autos too, and said there ought to be a law.

SOME critics charged the company with Communism, Fascism, and various degrees of mental cruelty. An alarming proportion of complaints feared overburdening the local mental hospitals as a result of "music-as-you-ride." On the sadistic side were several letters threatening to cut the bus and streetcar seats as an indication of protest. One added that it was a good thing the radios were attached to the ceiling, else he would personally kick them into silence.

In all, the company has received more than 800 unsolicited letters about Transit Radio. Over 500 of them fight the idea, and less than half that many are in favor. The complaints run the gamut of objections and seem to come from all segments of Washington's economic strata. There are notes on letterheads of prominent lawyers, expressing quiet, earnest disapproval. There are sheafs of pages from non-lawyers quoting legal references and "laymen's law books," and making bold

threats of Supreme Court action against the transit company. One man actually offered to contribute \$50 toward any effectively organized legal battle to halt the radio installations.

Fortunately, this unsolicited response has come mainly from the crank or chronic type of transit rider. The company has recognized old familiar names in this correspondence as those of folks who report regularly about the shortcomings of transit service. The extreme is that of a lady critic who complained, was sent the usual form letter by a public relations official of the company, and who returned that letter saying it was most unsatisfactory, since she had hoped to hear from the vice president of the company, "because he writes me such lovely letters." The climax of all this criticism, which has raged in and out of the newspapers during the past half year, is the recognition given to it by the public utilities commission. It has scheduled a public hearing on the radios for this fall.

THE assumption is that the PUC will thus give the critics their day in court. Still, you never can tell. Both the transit company and WWDC are loaded with contradictory material to refute the critics. For the solicited response of listeners, WWDC's mail has run exactly counter to the unsolicited response. Twenty letters of approval



**G**"SINCE many transit firms are currently having difficulty making ends meet, the new radio scheme offers some hope of heading off additional fare increases in the face of higher operating costs. But, just like every new addition to the family, Transit Radio poses special problems, and, in this case, the company's relations with its customers are at stake."

## MUSIC IN TRANSIT

are received at the station for every complaint.

In addition, the station reports spectacular success among the advertisers on Transit Radio. On quite a few occasions spot sales have been attempted by department stores, advertising solely on Transit Radio on a single item. Jewelry stores have moved slow items by concentrating on Transit Radio spot sales. One company got rid of 16 "10-second timers," an item of rather specialized use which had been on its shelves for months. For a \$16 ad every one of these timers were sold in a day and a half, some of them to people who had long been seeking these instruments but did not know they were stocked by any merchant in town.

BOTH transit and radio companies have also found solace in the conclusions reached by the market opinion researchers they employed. Edward G. Doody & Company of St. Louis, Missouri, made a one-week test in April among bus riders and those waiting to board at bus stops. On-the-bus interviews were conducted to study passenger reaction *within* the medium itself. There were two reasons for studying the immediate impact of Transit Radio. First, customer acceptance is judged to be of primary importance. And, second, the financial success of the medium depends upon listener reaction. Trained investigators boarded busses on four different lines during the hours of 7 AM and 7 PM daily. Interviews were made according to peak and low passenger loads during the broadcast day. The interviewers selected persons at random after they had ridden perhaps a half-dozen blocks.

The four lines selected were chosen

because it was believed they would cover about every economic strata and would represent a good cross section of riders. Interviews were conducted on the bus during the 6-day period. The queries were carefully phrased to give answers to the questions "Do you find that these programs make the ride seem more enjoyable—less enjoyable—not unenjoyable?"

This enabled the interviewers to determine how many people favored Transit Radio, objected to Transit Radio, were undecided about Transit Radio, and how many would object if the majority of passengers wanted transit vehicles equipped with radio receivers. They were also asked if they wanted the radios to be a permanent feature.

At the same time, passengers were questioned at bus stops *outside* the medium. The results indicated a division of the interviews between riders and nonriders; that is, those who had taken at least one ride on a radio-equipped bus, and those who had not had an opportunity to hear "music-as-you-ride" up to the time they were interviewed. Surprisingly enough, the bus stop survey turned up more people in favor of the medium than appeared during the "on-the-bus" interviews. The slim percentage of objections was carefully documented and the reasons for objecting fully explained in the interviewers' reports.

After talking to all these people the Doody Company came up with these answers: A large majority of customers want Transit Radio. A small but significant group does not care. Another fractional section of the riding public, although personally against the movement, still would not be opposed



### Advice on Transit Radio

**T**HE best advice seems to be: *Do everything you can to tell the public what you are doing and WHY you are doing it. Your research pollsters can be believed, and they say that the vast majority of riders like Transit Radio. The complainers are, as in all things, much more vocal and vociferous than the satisfied customers, who take the new feature for granted.*"

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if the majority wants it. The surveyors conclude that a "substantial majority reveals positive acceptance and another sizable group gives Transit Radio passive acceptance. Positive objection regardless of circumstances comes from only a barest minority."

**T**HE results of this survey correspond generally with those made in another test by the same company on the customers of the St. Louis Public Service Company. The St. Louis experiment was a much larger project, covering sixty days and utilizing additional methods of discovering customer reaction. For one thing, surveyors went right into homes of riders along each route, in an effort to discover how people react within a particular atmosphere. Doorbells were rung in homes in every fifth block within a radius of a quarter of a mile of the bus line. Every effort was made to interview men and women in true proportions.

The results again verify the overwhelming popularity of Transit Radio. The Doody Company also placed "ballot boxes" in the busses on the St. Louis lines, and invited passengers to take one and offer their opinions and comments for or against the installations. Although this method offered the possibility for "ballot stuffing" and "crank" commentaries, the aim was to permit public expression, as well as by careful sampling through the inquiries to verify the findings of the interviewers. Again, results were about the same.

So far the Capital Transit Company in Washington has equipped about 200 vehicles with radios, and WWDC-FM is finding sales increasing as the potential audience increases. Some time in 1950 there will be about 500 vehicles that are radio-equipped, enough to take care of almost every bus and streetcar operating in the nonrush hours. When this happens Transit Radio will reach a buying audience of more than 18,000

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people with every commercial. Advertisers in the downtown area can hardly pass up such a medium, which not only advises the people of their merchandise offers, but actually carries them to their very doors.

FROM the Capital Transit Company's point of view, the additional revenue is most welcome. Its officials now are beginning to believe the radio spokesmen when they predict that radio advertising revenues will some day exceed amounts now received from car card ads. It is too early to venture an opinion as to whether this new increment will help prevent future fare increases if operating costs continue to mount. The income will be substantial, however, when the transit fleet is totally wired for sound and the broadcasting hours are perhaps lengthened.

Admittedly, Capital Transit approached the radio idea with some doubts. It preferred not to think about the aesthetic justification of imposing on its customers' ears as they ride. Nevertheless, two considerations won out over that reluctance. One was that to the extent the company could earn money in the new medium, it could reduce by that amount its request for a fair return on its investment from direct transit revenue. The other was the overwhelming public acceptance shown by the independent surveys. Transit Radio, whatever may be said about its cultural advantages, offers the opportunity for a transit firm to pick up additional cash with no capital outlay whatever. That makes it practically irresistible.

Since there are dozens of other companies currently considering the matter, or waiting for the opportunity to get

into the radio business, this partial case history can carry certain encouragements and admonitions. On the bright side is the promise of radio manufacturing concerns that ample sets will be available shortly. Also encouraging is the fact that most utility commissions appear neutral or at least not openly hostile to the plan. This is understandable in view of their own quasi judicial responsibility to see that transit companies are kept solvent. Brighter than anything else, of course, is the promise of additional revenue, a phrase that is almost historic today in its association with the transit business.

THE Capital Transit story cannot offer definite conclusions about how the public will react to the introduction of Transit Radio in some other city. The nation's capital contains perhaps the most sensitive audience, from an economic and political standpoint, of any metropolis. In St. Louis, for instance, public opinion was whipped along at the beginning of the radio installations by the active opposition of some of the press. Eventually this original outcry diminished and was finally forgotten. When the radios went into vehicles in Cincinnati, no opposition of any real strength or direction was discovered. The same appears to be true in Houston, Texas, and other cities in which installations have been made. This, in spite of the fact that the character of the programs in those cities is far different from the straight music — news — commercial format adopted in Washington. Texans, for example, seem to like their race results, stock, oil, and grain reports, and even "geetar music" as they ride.

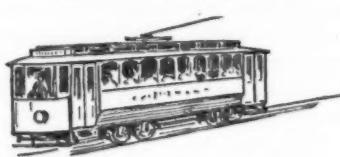
By way of admonition, experience

## PUBLIC UTILITIES FORTNIGHTLY

dictates that both radio and transit companies must indulge in extensive public relations activities to safeguard their precious idea. Preliminary campaigns, constant reminder campaigns, and the use of market research and opinion analysis organizations seem to be essential. The best advice seems to be: Do everything you can to tell the public what you are doing and *why* you are doing it. Your research pollsters can be believed, and they say that the vast majority of riders like Transit

Radio. The complainers are, as in all things, much more vocal and vociferous than the satisfied customers, who take the new feature for granted.

These predictions make for a strong case should companies be called into court. But in the long run they are extremely effective in bolstering morale of transit executives. After all, those fellows need some kind of shock absorber when an irate patron writes, as several did, "Turn off that damned radio!"



### Chicago Fare Deal

**T**HE Chicago Transit Authority's prospective fare raises have aroused anger and derision in the CTA's 'own riders.'

"The increases, made necessary chiefly by a 10-cents-an-hour pay hike to 22,000 unionized CTA employees, will boost streetcar fares to 15 cents. The transit board justifies the wage rise as in keeping with a 'national trend.'

"The straphangers are choleric at the prospect. Not even their pride of possession is proof against their resentment. Public ownership is no guaranty against public wrath.

"One of the main arguments in behalf of municipal ownership of utilities and transport is the claim that private ownership extracts unduly large tariffs from the consumer. Yet Chicago's publicly owned system, even without the increase in fares, charges as much for a streetcar ride as any city in the United States.

"If the traction system were still owned by the Chicago Surface Lines and the Rapid Transit system, the same dilemma which the CTA is facing might well prevail. But in that event popular indignation would be directed against the 'tycoons' and the 'selfish interests,' whom Mr. Truman enjoys larrupping. . . .

"The bald fact is this: Capitulation to labor demands ultimately hurts the man on the street—or the streetcar. Sometimes government costs can be concealed beneath a layer of red ink. Sometimes they cannot. In the case of the CTA, forbidden by law to operate at a deficit, the costs can't be hidden from view."

—EDITORIAL STATEMENT,  
Chicago Journal of Commerce.

# Washington and the Utilities



## *When Is a Lobbyist Not A Lobbyist?*

CHANCES are getting better every day that the administration is going to push for a full-scale investigation of lobbyists. Washington commentators are having quite a bit of fun ribbing the representatives of governmental departments, who do the most effective lobbying of all, when it comes to influencing congressional opinion. Paid representatives of private interest complain that these government lobbyists cannot only get into the executive sessions of congressional committees, but can even palm off their arguments under guise of performing their sworn duty "to report to the Congress annually." This is a provision carried in a good many statutes setting up government bureaus.

George Dixon, of the *Washington Times Herald*, whose comments on government operations often take a light if not irreverent turn, undertook to find out the difference between a government lobbyist and a private interest lobbyist. He said in part:

Naturally it would not do for the President of the United States and exalted Cabinet members to come right out and hire lobbyists to help them influence legislation. But, in effect, that's just what they do.

Only they don't call their lobbyists lobbyists. They call them liaison officers.

Practically every executive big shot has a liaison officer. The President has a stable, ranging from Clark Clifford, who is sent up when charm seems required, to work horses whose names you wouldn't recognize because they never get in the papers. These liaison

officers look, and act, just like lobbyists.

DIXON even attempted to conduct a private poll of the Senators on the distinction between private interest lobbyists and the so-called "liaison officers." Some of the answers are amusing—especially the tongue-in-cheek comment of Vice President Barkley:

Senator George W. Malone (Republican) of Nevada: "Being a liaison officer is steadier work."

Senator Frank P. Graham (Democrat) of North Carolina: "They look alike to me."

Senator Styles Bridges (Republican) of New Hampshire: "'Liaison officer' is just a nicer-sounding name."

Senator Brien McMahon (Democrat) of Connecticut: "One of them comes further into the lobby." Mr. McMahon declined to amplify.

Senator Alexander Wiley (Republican) of Wisconsin: "One of them eats better." He declined to specify which.

Senator Leverett Saltonstall (Republican) of Massachusetts: "As a Republican I am seldom bothered with either a lobbyist or a liaison man. But what few I do see present their cases properly and without offers of a deep freeze."

Senator John J. Sparkman (Democrat) of Alabama: "The question provokes one to ask: 'Where does light begin and darkness end?'"

Vice President Barkley (waxing unexpectedly serious): "Anybody who is in the government service has the duty of informing Congress of the effect and need of certain legislation in the public interest. A private lobbyist

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may not always work for the public interest."

But there is more than a sneaking suspicion that an attempt to cast big business, including the utilities, in the rôle of rascals will be made in the forthcoming congressional investigation of the lobbies. The rumor on the Washington rialto is to the effect that the administration is worried over public reaction to the current "5 per cent" investigation. The disclosures to date, in the latter probe, have reflected principally on administration personalities. The strategy, therefore, seems to be to turn the heat on the big business lobbies, by way of a counterattraction. Representative Sabath (Democrat, Illinois), chairman of the House Rules Committee, has called for such a program in a speech denouncing the Army Engineers as being unduly friendly with the power companies.

One stumbling block for this strategy is that the House resolution contains a brief and innocent looking provision which requires the investigating committee to give its attention also to lobbying by government agencies. Administration forces hope that, in the friendly hands of Representative Buchanan (Democrat, Pennsylvania), who will probably head the House committee, the inquiry can be kept centered on certain business interests and a few government agencies (such as Army Engineers) which are not presently enjoying White House favor.

**S**PEAKER of the House Rayburn was expected to name the full organization of the House committee after that chamber reconvened September 21st. But there was still the possibility that the Senate would try to get into the act by way of a resolution for a "concurrent" investigation. Steps are under way to have this Senate action placed under the auspices of the Senate Judiciary Committee. Under control of Senate Judiciary Committee Chairman McCarran (Democrat, Nevada), the Senate's part of the probe would certainly not be under administration domination.

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But does the administration really want a new law to regulate lobbying? As already indicated, cynical observers think that the administration wants to get a congressional investigation of lobbyists going, not so much for development of any new reform legislation, but for the political propaganda value of discrediting "big business." Just the same, some idea of what Representative Buchanan has in mind—if House Speaker Rayburn allows him a clear field in handling a House investigation—was seen in a bill (HR 5784) which Buchanan introduced before the House recessed.

Representative Buchanan's bill to require reporting and registration by lobbyists defines the latter as any person receiving compensation of more than \$1,000 a year to influence congressional action, directly or indirectly. In addition, the bill would require registration of persons "who shall raise or expend in excess of \$5,000" a year, in connection with any matter pending before Congress.

The bill would exempt the President (and staff), members of Congress (and staff), Cabinet officers, and agency heads. Theoretically, all other Federal, state, and government officials would have to register if they receive more than \$1,000 a year for influencing any matter before Congress. The joker is that no government lobbyist receives any specific salary to influence Congress. The government official is ostensibly paid only to perform his official duties. And that, say the government lobbyists, is just what they are doing when they appear before Congress.

It all gets back to the fundamental question of when is a lobbyist not a lobbyist. The administration's answer seems to be: When he is a "liaison officer," which seems to be just the reverse of those horrid "scare words" President Truman complained about so bitterly in his Labor Day speech.

### *Interior Appropriation Bill*

**T**HE Interior Department Appropriation Bill, as finally passed by the

## WASHINGTON AND THE UTILITIES

Senate, restored \$2,000,000 for construction of West Side power line for the Central Valley project, which the Senate Appropriations Committee has recommended dropping. This brought about almost a complete reversal of the committee's recommendations on cuts in power-line funds. Funds were earlier restored for the Southwestern Power Administration, the Bonneville Power Administration, Anderson Ranch (Boise, Idaho), Fort Peck, and Colorado-Big Thompson. The Senate did not, however, restore appropriations, voted by the House, for certain Central Valley transmission facilities from Shasta to the Tracy, Roseville, and Redding areas.

Other amounts for transmission-line building which the Senators voted into the bill contrary to its own committee recommendation included \$9,000,000 for the SWPA—as requested by the original administration budget, \$375,000 for the Kerr-Anaconda line to be built by Bonneville Power Administration, and \$322,500 for an over-all increase of Bonneville funds for building lines as requested by Senator Hayden (Democrat, Arizona).

The transfer of Robert S. Kerr, Oklahoma Democrat, from the Senate Interior and Insular Affairs Committee to the Finance Committee was learned with regret by some Reclamation Bureau officials who had come to rely on Kerr to champion the cause of reclamation and public power with aggressive eloquence in the Senate debate. Senator Kerr was the outstanding speaker in the recent successful countermovement of the public power bloc to restore funds for transmission lines cut out of the Interior Department Appropriation Bill in the Senate committee.

Kerr was allowed to make the switch because of a vacancy on the Finance Committee created by the resignation of Senator J. Howard McGrath (Democrat, Rhode Island) to take the post of United States Attorney General. The new Senator from Rhode Island, Edward L. Leahy, has been assigned to fill the vacancy on the Interior and Insular Affairs Committee.

### *Three-way Feud on River Development*

A RECENT column by Peter Edson, in the Scripps-Howard newspapers, describes the entry of the Agriculture Department into the rivalry which has existed heretofore between the Interior Department and the Army Engineers over development of river projects by the Federal government.

Last May at Rapid City, South Dakota, Agriculture Secretary Charles F. Brannan announced a new 30-year \$8.5 billion program for development of farming in the Missouri valley. It was to be financed in part by government conservation payments, the rest by private expenditures by the farmers themselves, on 350,000,000 acres.

Edson said in his column:

In oversimplified form, the plan included encouragement in the building of farm ponds and water holes for range livestock. These reservoirs were intended to hold back water flow in small streams to stop erosion. By so doing, it was aimed to prevent not only the silting up of streams, but to increase electric power development at Missouri basin dams.

When the plan was announced, President Truman ordered it sent around to all government agencies having an interest in the area. It has taken some months to study all its details, but replies are now coming in.

Federal Power Commission endorses it, if it will reduce siltation at power dams. Army Engineers are understood to have opposed it because, by holding water on the land instead of allowing it to flow into main channels, navigation on the Missouri from Sioux City to St. Louis may be interfered with. Interior Secretary J. A. Krug blasts the Brannan proposal and in effect advises the Agriculture Department to stay out of what has been considered Bureau of Reclamation's exclusive business for these many years.

Building of farm ponds has been a pet project of Secretary Brannan's.

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When he was Farm Security Administrator, he developed a water facilities program for FSA borrowers. When he became Assistant Secretary he extended the program through soil conservation service. As Secretary, he is trying to extend it to the whole Missouri basin.

Edson goes on to say that Interior is really annoyed over Secretary Brannan's proposal to look into irrigation—heretofore regarded as the more or less exclusive province of the Reclamation Bureau. Agriculture economists, he says, think it just a "little silly" to put water on dry land and then move people on to that land—when there is no particular need for their crops, in the first place.

To complicate matters, Army Engineers are being attacked from another front. Last month, Interior Secretary Krug sent to Congress a comprehensive \$2 billion program for the over-all development of California's Central valley basin. It would virtually freeze out the Army Engineers, leaving major construction in the hands of the Reclamation Bureau. Army Engineers already have authority to build nine dams in the Central valley basin. The Krug recommendation, in which the President concurs, would switch three to the Reclamation Bureau, cancel one, and let the Engineers go ahead on five others—to be turned over to the Reclamation Bureau upon completion. Ultimate electric power potential is estimated at 8.1 billion kilowatt hours annually—including both hydro and supplementary steam plants.

Finally, President Truman has let it be known that he wants more accurate cost allocation on irrigation projects. Just before the Labor Day recess the President vetoed a reclamation project bill; the first time such a thing ever happened. He also gave warning, in "reluctantly" approving another bill, that he would enforce a tighter cost policy in the future. The Senate Committee on Interior and Insular Affairs is taking a serious view of this precedent. A subcommittee, consisting of Senators O'Ma-

honey (Democrat, Wyoming), Anderson (Democrat, New Mexico), and Watkins (Republican, Utah), has been appointed to study the veto message.

This had to do with the relatively small Vermejo project in New Mexico. As passed by Congress, this bill would allocate two-thirds of the total cost (\$2,959,000) to "reimbursable" features such as irrigation and power generation on which a return must be made to the Federal government. The remaining one-third was assigned to such "nonreimbursable" items as recreation, flood control, fish and wild life.

President Truman's veto message condemned vague allocations of costs by Congress in such legislation. He said that the bill had been passed upon the mere recommendation of the Bureau of Reclamation as to feasibility, but without endorsement of the Department of Agriculture or of the Army.

### *Senate Group Reports Rural Phone Bill*

ON September 13th the Senate Agriculture Committee voted to report a considerably modified version of the House-approved bill to authorize the Rural Electrification Administration to make loans for farm telephones. Among the changes voted by the committee were: (1) Elimination of loans for "refinancing." (2) Elimination of "public bodies" from the classification of persons eligible for loans. (3) A requirement that existing telephone companies in any given area shall have a full year head start and final decision on their applications for loans before rival applications can be considered. (4) A requirement that the REA Administrator set forth in writing a finding that no duplication of telephone facilities would result from granting a loan for service in any area unless the existing company in that area is unable or unwilling to furnish "reasonable" service. (5) A restriction against loans to any person who operates telephone systems having more than 1,500 subscribers in rural areas as defined by the bill.

# Exchange Calls And Gossip



## *Senate Increases Wage-hour Exemption*

THE United States Senate on August 30th passed the Butler amendment as part of the Wage-Hour Bill. This amendment by Senator Butler (Republican, Nebraska) would increase the exemption for telephone operators at small exchanges from a limit of 500 stations (as in the present Fair Labor Standards Act) to a limit of 750 stations. Because the House previously had voted down a similar attempt to boost the exemption, the action of the Senate means that the final verdict will have to be worked out in conference.

But there was reason to believe that Congress will finally accept the Senate's view, when it enacts the law boosting the present minimum hourly wage from 40 cents to 75 cents an hour. One of the reasons is that the House apparently acted on wrong information when it rejected the 750-station limit.

At that time Representative Helen Gahagan Douglas (Democrat, California) is reported to have convulsed the lower chamber with the remark that boosting the limit from 500 stations to 750 stations would "uncover 10,000 women." When the Representatives got through laughing and the California Congresswoman got through blushing, some members of the House seemed to think it would be the sporting thing to do to vote with Representative Douglas in return for a good laugh.

But, as a matter of fact, the difference between 500 and 750 stations does not mean extending the exemption to 10,000 women or anything like it. In fact, two of the Senators, who are to be members of the Senate Conference Committee—

Pepper (Democrat, Florida) and Taft (Republican, Ohio)—indicated a sympathetic attitude toward the 750-station limit.

SENATOR Butler, author of the amendment for the 750 stations, made a statement which traced the origin of the small telephone exchange wage amendment from its very beginning and gave reasons why the 500-station limit should be increased. He said in part:

The bill reported by the committee proposes to leave this exemption just as it is; in other words, to continue the exemption for companies having less than 500 stations. The difficulty with that, Mr. President, is that a great many of these small exchanges in the little country towns have added on enough customers so that they are no longer covered by the exemptions. A great many of the exchanges that had perhaps three- or four-hundred-odd stations back in 1938 now have five or six hundred. That is due to the greater prosperity in the rural sections of the country that has come about during the last few years, which has enabled many farm families to afford telephone service who never could before. I believe that my amendment really comes close to carrying out the original intent of the act by exempting most of the smaller independent companies which serve small-town or rural sections.

In practically every state, telephone rates are regulated by the state commission, and, of course, we all know that those rates are based primarily on costs of operation. It is obvious that if their costs go up, it will be necessary to raise rates to subscribers. In many

## PUBLIC UTILITIES FORTNIGHTLY

farming regions, the subscribers simply will not stand for an increase in rates, and it will simply mean that many subscribers will discontinue their phone service. I do not believe we want to bring about that result, Mr. President. We should be aiming at methods to expand telephone service in the rural regions, instead of passing regulations that will have the effect of cutting down the availability of such service.

### *Video Interconnections Held Unlawful*

RESTRICTIONS in Bell system tariffs regarding the interconnection of intercity video channels of Bell system companies with those of others were held unjust and unreasonable, and therefore unlawful, in a proposed report of the Federal Communications Commission, issued on September 8th.

The commission, with Commissioner Jones dissenting, concluded that Bell system tariff regulations are unlawful under § 201 of the Communications Act to the extent that they purport to authorize the Bell companies not to furnish intercity TV transmission facilities to subscribers who desire (1) to be interconnected with their own intercity facilities authorized by the commission pending such time as common carriers have adequate intercity facilities to meet the broadcasters' demand; (2) to use such intercity facilities in connection with TV broadcasters' mobile TV pick-up units authorized by the commission; and (3) to use such intercity video facilities in connection with intercity TV transmission networks partially constituted by direct pickup and relay of the video program. If the report is made final, the Bell system companies would be required to change their tariffs accordingly.

In the proposed report, the commission also stated that in accordance with § 201(2) of the act, it may, after opportunity for a hearing and a finding that such action is "necessary or desirable in the public interest," require the Bell system to make specific interconnections of

its intercity video transmission facilities with those of other common carriers, such as Western Union, but that this question cannot be decided upon the record in this case and is open to commission consideration in further proceedings.

The reasonableness of the rates of the Bell system companies and Western Union for video transmission services and facilities is involved in another phase of this proceeding, and will be the subject of further hearings and investigation by the commission.

### *Sue to Reverse Give-away Ban*

THE Columbia Broadcasting System and the National Broadcasting Company early this month filed complaints in the United States District Court seeking to enjoin the Federal Communications Commission from banning radio give-away shows after October 1st. The papers were similar to those filed earlier by the American Broadcasting Company.

The actions put three of the four major radio networks on record against the commission's orders. The Mutual Broadcasting System has contended that its quiz shows would not come under the regulations, since its programs have no telephone-call angle and most of the prizes are for studio audiences. Whether the FCC agrees with Mutual remained to be seen.

A Federal judge subsequently blocked temporarily the order banning such radio programs. Judge Michael L. Igoe granted the injunction on the plea of Radio Features, Inc., a Chicago firm that produces syndicated radio programs. His restraining order will remain in effect until a 3-judge Federal court convenes in Chicago on October 7th.

The FCC regulations, announced August 19th, would ban give-aways as lotteries under § 1,304 of the United States Code. NBC and CBS contended that the commission has no power to interpret the lottery section of the code in that way.

NBC said the ruling would affect six programs bringing the network more than \$3,000,000 a year.

## EXCHANGE CALLS AND GOSSIP

### Says Pay Hikes Lag

THE Communications Workers of America this year will seek a substantial wage boost for every one of its 320,000 members, Joseph A. Beirne, the union's international president, declared at Phoenix, Arizona, recently. Such a move, Beirne said, is justified on two counts:

1. In industry's three postwar rounds of wage increases, telephone workers have lagged far behind employees in other fields.
2. At no time in their history have companies of the Bell system been better able to afford sizable pay boosts.

Speaking before approximately 150 members of the union's Phoenix Local No. 1,719, Beirne said that when the local's contract with the Mountain States Telephone & Telegraph Company expires in December, the international will do "all in its power to secure adequate wage increases for its members." He said that in the first general round of pay boosts, the average pay for industry as a whole was upped 19 per cent, while telephone company employees got 16 per cent. In the second round, he added, the increase ratio was 18 to 14 per cent, and in the third, 12½ to 9 per cent.

Beirne said that because of the postwar lag in wage boosts given telephone workers the group has fallen from seventh to twenty-second place in the national average pay picture.

The local members also were told by Beirne that the international is seeking to build a defense fund of from \$10,000,000 to \$15,000,000 to improve its bargaining position with Bell system companies. The speaker said the money would be used to minimize the need for strikes by the promotion of good publicity concerning the union's aims and the operations of the hiring companies.



### Petition for Rate Rehearing Denied

THE Mountain States Telephone & Telegraph Company last month

formally petitioned the Arizona Corporation Commission for a rehearing on its \$1,000,000-per-year rate increase application. This procedure lays the groundwork for court appeal. The original application was turned down by the commission after a hearing last June.

The company's motion asserted that inasmuch as the utility has not been and cannot earn, under existing rates, a fair return on its investment, the commission's denial of its original application constitutes the taking of the company's property "without due process of law."

Charging that the commission's ruling was arbitrary, capricious, and unlawful, the petition stated the commission's finding that Arizona phone rates are the highest in the entire mountain states area, is contrary to uncontradicted evidence.

The company also denied the finding that its operating expenses in the state of Arizona are unexplainably high, asserting its books are kept in strict conformity with the accounts system prescribed by the Federal Communications Commission and that there is no evidence or contention that operating expenses are unreasonably high or unjustified.

The commission subsequently denied the company's petition. It is now reported to be seeking an interim rate increase. The commission has been asked to grant the hike under bond pending the outcome of contemplated litigation seeking to set aside the commission's recent decision denying the company a permanent rate increase.

### Radio to Carry Intercity Phone Links

INCREASING demands for telephone service in California will be met entirely by installation of radio-operated intercity telephone circuits, according to telephone company engineers. It was announced last month that the Pacific Telephone & Telegraph Company proposes the operation in 1950 of a radio relay system for telephone and television service between the Bay area and Los Angeles.



### *Annual Review of Transit Operations*

THE transit industry at the end of 1948 included 1,387 motorbus companies, 42 trolley coach companies, and 107 electric railway companies. However, the electric railways in the aggregate were far larger than the bus companies with respect to investment in the business, and their revenues were nearly as large. Statistics for the three divisions of the industry for 1948 were as shown in the table below (from the American Transit Association "Fact Book").

The ratios shown appear to disclose some interesting facts. The average fare is of course not statistically accurate, being a composite for cash fares, tokens, and nonpaying riders; however, it does

## Financial News and Comment

By OWEN ELY

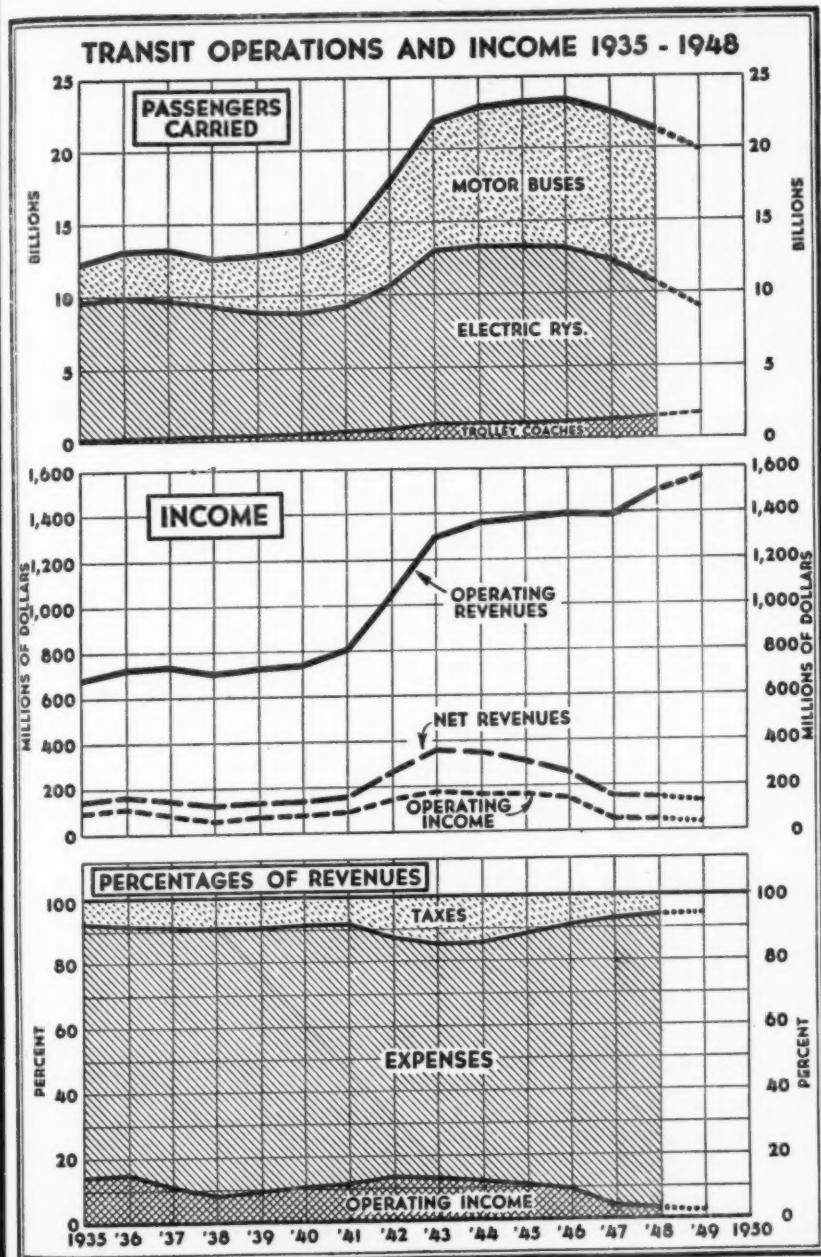
reflect the actual average income for each passenger carried (the only available "production" unit, since passenger mileage is not available as it is for steam railroads). The average yearly wage seems to indicate that electric railway employees are paid more than bus and trolley coach men; and when measured per vehicle mile, the old-fashioned trolley has a higher payroll (also reflected in less vehicle miles per employee). This is probably due to the fact that remaining trolleys are in big cities. However, its revenues per vehicle mile are also considerably higher than for the motorbus (in about the same ratio) and also the annual mileage per vehicle, so that the wage factor appears to "even out." In fact, the ratio of payroll to revenues is slightly higher for the bus than the trolley, and

	Unit	Electric Railway	Motor- buses	Trolley Coaches	Total
Investment .....	Million	\$ 3,111	\$ 671	\$ 118	\$ 3,900
Revenues (total) .....	"	666	732	90	1,488
Vehicle miles .....	"	1,157	1,976	178	3,311
Passengers (total) .....	"	9,112	10,728	1,528	21,368
Employees .....	Thousand	109	138	14	261
Payroll .....	Million	\$ 367	\$ 420	\$ 42	\$ 829
Vehicles .....	Thousands	27	59	6	92

	Passenger per vehicle mile .....	7.9	5.4	8.6	6.5
Revenues per vehicle mile .....	58¢	37¢	51¢	43¢	
Vehicle miles per employee .....	10.6	14.4	12.8	12.7	
Annual mileage per vehicle .....	"	42	34	31	36
Investment per dollar of revenues .....	\$ 4.70	\$ .92	\$ 1.32	\$ 2.62	
Average fare .....	7.3¢	6.9¢	5.9¢	7.0¢	
Ratio of payroll to revenues .....	55%	57%	47%	56%	
Yearly wage .....	\$ 3,380	\$ 3,050	\$ 3,000	\$ 3,190	
Payroll per vehicle mile .....	32¢	21¢	24¢	28¢	

FINANCIAL NEWS AND COMMENT



## PUBLIC UTILITIES FORTNIGHTLY

is lowest for the motor coach—perhaps explaining the rapid current growth of the latter.

Where the motorbus has a big advantage is in the extremely low investment—less than \$1 per dollar of revenues, compared with nearly \$5 for the electric railway. (The trolley coach is also surprisingly low.) This is offset only partially by the higher average fare on the trolleys, and their greater mileage.

**T**HE down trend in traffic from 1945 peak levels continued in 1948-49, the number of riders decreasing very sharply in the smaller cities. (See chart "Trend of Transit Traffic 1941-1949," page 437.) However, revenues for the industry in 1948 were \$1,488,600,000 *versus* \$1,390,800,000 in the previous year, a gain of nearly 8 per cent. But with operating expenses up 9 per cent, operating income declined 7 per cent—amounting to only 2.94 cents of the revenue dollar as compared with 3.39 cents in the previous year, and the peak of 13.65 cents in 1942. The retarding effects of rising fares on traffic, and the greater use of private automobiles, were reflected in a decline in rides per capita to 93 compared with 99.3 in the previous year and the peak of 115.1 in 1946. The index still remains far above the prewar level of 64, however.

During the war the transit industry was able to make substantial profits for the first time in many years, because of greatly increased loads and a comparatively moderate increase in the number of employees. But despite the fact that revenue passengers reached a maximum level in 1946 and by 1948 had dropped nearly 10 per cent, the number of employees remained as high in 1948 as in 1946 (although down somewhat from the 1947 peak). This is probably due to shortening the workweek. Average pay per employee in 1948 was 16 per cent higher than in 1946, and the total payroll also about 16 per cent higher.

The continued trend from electric railways to use of trolley coaches and motorbuses was reflected in the figures for revenue passengers as follows:

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	1948	1947	Per Cent Change
Surface Railways ..	4.7	6.0	Dec. 21%
Subway and Elevated	2.5	2.6	" 4
Trolley Coaches ...	1.2	1.1	Inc. 9
Motorbus .....	8.9	8.6	" 4
Total .....	17.3	18.3	

**N**EW equipment added in 1948 also reflects the changeover to busses and trolley coaches. Of the 9,123 vehicles added in that year 7,009 were motorbuses, 1,430 trolley coaches, and only 684 railway cars. (While the latter figure was the highest in a decade, it included 206 subway or elevated cars, the largest addition since 1939.) The old-fashioned trolley continued its rapid disappearance, nearly 4,000 cars being retired during the year; the number in service was only 17,911 compared with 21,607 in the previous year and 31,400 a decade earlier. Subway and elevated cars totaled 9,456, a decline of about 15 per cent in the decade. The number of trolley coaches, on the other hand, jumped 22 per cent in 1948, and nearly tripled in the last decade, but the total of 5,708 was still relatively small. Motorbuses also continued to gain but at a more leisurely rate—about 3 per cent in 1948; the number in service had more than doubled in the decade, however, to 58,540. The miles of trolley track and bus routes made a similar showing: Trolley trackage continued to be abandoned, subway and elevated remained about the same, and the mileage of motorbus and trolley coach routes continued to gain.

Unfortunately the industry compiles only aggregate figures for operating income—these are not broken down as between streetcars, busses, and motor coaches. Of course this breakdown would be difficult (though perhaps not impossible) because many companies continue to operate both trolleys and busses and divisional earnings are not published. However, what is happening is fairly clear—most of the old-fashioned trolley lines are unable to pay a return on the original investment. As they are gradually being abandoned in favor of the busses and trolley coaches, plant write-offs must be absorbed (as done by Public

## FINANCIAL NEWS AND COMMENT

Service of New Jersey), long-term debt reduced (as done by Twin City Rapid Transit), or recapitalization effected (as already accomplished for companies like Syracuse Transit, and still pending for Pittsburgh Railways, Third Avenue, etc.). This program was slowed by wartime prosperity but under the pressure of reduced earnings is now being resumed, and in a few years both operating and financial adjustments (already largely reflected in security values) will be completed. In some cases salvage through real estate sales of car-barn sites, etc., may ease the process.

It would, of course, be difficult to compile final net income figures even for the entire industry, because transit operations are partly under municipal control (as in New York and Chicago), partly controlled by big utility holding companies (as in New Jersey and Pittsburgh), partly run as divisions of electric operating companies (as in Birmingham, Columbus, etc.), and partly operated as independent companies. Accordingly, the only income figures available are for the entire industry — revenues, expenses, taxes, and operating income. (See chart "Transit Operations and Income 1935-1948," page 433.)

As noted above, operating income declined about 7 per cent last year, to a level only about one-quarter of the 1943 peak and *21 per cent below the level of a decade ago*. Net income figures for transit companies whose stocks are held by the public are shown in the table on page 440. Such earnings are highly erratic, with Capital Transit, National City Lines, Philadelphia Transit, St. Louis Public Service making a good showing, while Cincinnati Street Railway, Dallas Railway & Terminal, Duluth Superior Transit, Syracuse Transit, Twin City Rapid Transit, and United Transit showed sharp declines. Unfortunately, only one or two of the companies report complete interim figures, most of the results being for the calendar years 1948-47. The industry appears to be generally backward in furnishing information to security holders as to op-

erations and income for twelve months' interim periods. The interim figures published for three months, six months, and nine months are not of much help in figuring share earnings because of the seasonal factor, but they furnish some guides as to trends. Results for the first half were also quite mixed, but the general trend of net seemed downward. Twin City Rapid Transit, for example, in the first half of this year reported a deficit of \$173,646 compared with net income of \$34,545 last year, despite the fact that revenue gained 5 per cent. On the other hand, National City Lines maintained net close to last year's level, and Capital Transit showed a gain over last year.

THE American Transit Association publishes monthly statistics for number of passengers (see accompanying chart "Trend of Transit Traffic") and revenues. During 1949 the industry has been able thus far to offset declining traffic by rate increases, since revenues have gained over last year as follows:

January .....	7.7% increase
February ...	5.6 "
March .....	6.7 "
April .....	8.8 "
May .....	5.9 "
June .....	2.9 "

July traffic made a particularly bad showing with a decline of 13.6 per cent, compared with a decrease of 11.6 per cent for June and 10.6 per cent for the seven months ended July 31st. The traffic index for July (preliminary) is 144.3, a decrease of nearly 20 points below the same month of last year and down over 2 points from June. However, the bad showing for July is partially accounted for by the fact that the month had five Saturdays and Sundays; also, the hot weather and the new practice of "mass vacations" for factory workers may have been factors.

The industry is still struggling with continued labor demands for higher wages. International Railway Company of Buffalo recently granted a five-cents-an-hour increase in wages, plus a small gain in holiday pay. The nerves of New York city transit riders have suffered this

## PUBLIC UTILITIES FORTNIGHTLY

year from recurring bus strikes and threats of strikes, subway slowdowns, etc. If the industry is to avoid a wave of recurring bankruptcies it would seem to be high time to stop the trend toward higher wages and to try to make labor more productive. It is to be hoped that the report of the Fact Finding Commission for the steel industry to President Truman will be helpful in combating wage increases.

**T**HE industry is making some effort to stem the sharp decline in traffic. The American Transit Association's public relations department made big plans for "Transit Progress Day" on September 12th, "to let our friends and neighbors know how public transit intimately benefits them in their daily lives. A fully informed public is an understanding public." Many companies planned to run special newspaper advertising on this day and some had elaborate programs for display of new equipment, talks before civic and service organizations, open-house tours for the public, etc. Makers of transit vehicles and supplies also joined the advertising and radio programs to make the public "transit conscious."

Regarding fare increases, it is of interest to note that since VJ-Day 329 out of the 412 important cities in the United States (with population in excess of 25,000 in 1940) have had fare increases, as follows:

184 cities have had one increase
101 cities have had two increases
25 cities have had three "
13 cities have had four "
4 cities have had five "
2 cities have had six "

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Up to the close of World War II there were no cities in the United States having universal fares above 10 cents but today the Rapid Transit lines in Chicago charge 15 cents, and the Surface Lines 13 cents. (The rates may soon be raised to 20 cents and 15 cents.) Five cities have a 13-cent cash fare with reduced rate tokens or passes, and two have 11-cent fares; 29 altogether charge over 10 cents.

Seventy-seven cities now have a straight 10-cent cash fare compared with half that number on VJ-Day. Two hundred cities also have a 10-cent fare with reduced token rates, compared with 150 on VJ-Day. There are now only 104 cities left which charge less than a dime, compare with 232 on VJ-Day. The use of passes has been cut down somewhat and the use of zone fares has increased from 45 to 51. In Canada there are no cities having straight cash fares as high as 10 cents, although 21 cities combine that fare with reduced tokens, etc.

**D**URING 1945-48 (according to G. C. Hecker's\* address at the annual meeting of the Canadian Transit Association on June 14th) the number of passengers carried by the U. S. transit industry dropped about 8 per cent, yet higher fares produced nearly \$100,000,000 additional revenue or a 7 per cent net gain. But operating expenses gained \$262,000,000, or nearly 20 per cent, so that operating income declined to less than one-third the 1945 figure, and the rate of return on the capital invested in the industry in 1948 was only 1.12 per cent.

Regarding the decrease in rides per capita, Mr. Hecker said "it is difficult to tell how much of the decline is due to normal postwar readjustment of business activity and the greater use of the private automobile, and how much is due to increased fares. Experience has shown, however, that there is some decrease in riding with every increase in fare, and it is generally admitted that there is a limit beyond which fares cannot be increased without bringing into play the law of diminishing returns. No one knows where this economic ceiling is. Naturally it will not be the same in all cities. Apparently it can be determined only by experimentation."

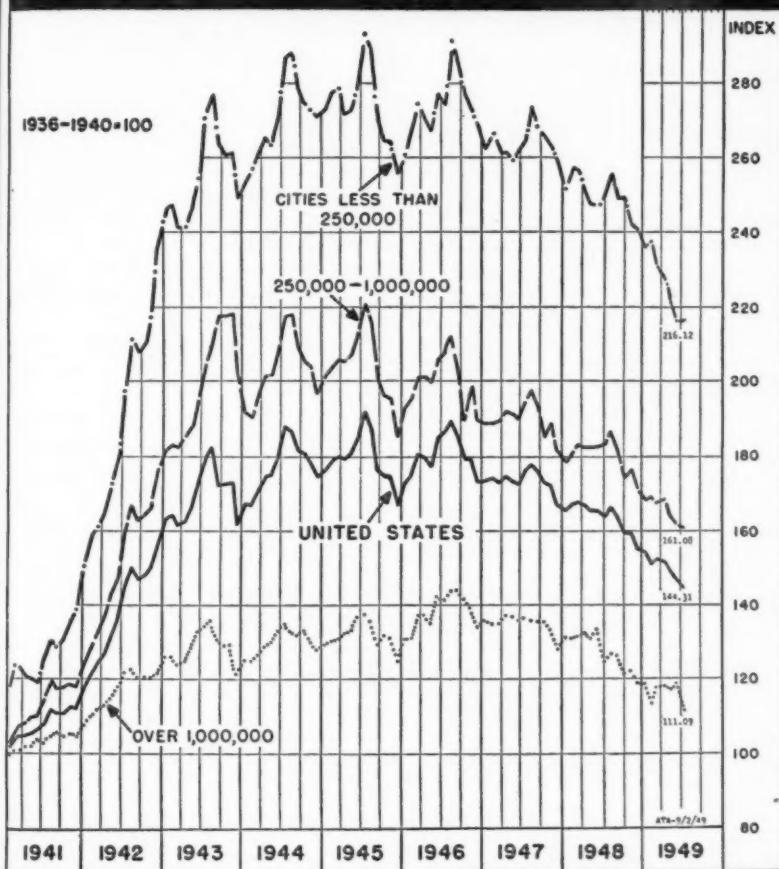
Mr. Hecker described a statistical study of 99 transit companies "in an effort to determine whether any pattern could be found that might serve as a probable guide to future fare policy."

\*Mr. Hecker is executive manager of the American Transit Association.

FINANCIAL NEWS AND COMMENT

TREND OF TRANSIT TRAFFIC, 1941-1949

TO JULY 31, 1949



Courtesy, Passenger Transport

For the entire group, fares increased 19 per cent since VJ-Day, traffic declined 6 per cent, and revenues gained 12 per cent. The biggest cities were able to produce a 16 per cent increase in revenues with a 19 per cent increase in fares (passengers dropped 3 per cent), while the smallest cities were able to net only  $\frac{1}{2}$  per cent more revenues with 16 per cent higher fares (traffic down 13 per cent).

Mr. Hecker attributed this result to the large growth of the small cities during the war and the consequently greater postwar adjustments. Intermediate results did not disclose any special trend.

Another method of grouping, by geographical areas, again failed to disclose any helpful pattern. The most successful grouping was according to present fare levels, as follows:

## PUBLIC UTILITIES FORTNIGHTLY

Fares	Per Cent Increase In Fares	Per Cent Increase In Revenues	Per Cent Decrease In Traffic
Over 10¢ ...	28%	14%	11%
10¢ straight .	20	10	8
10¢ with tokens, etc. .	14	12	2
Under 10¢ ..	18	9	8

MR. HECKER suggested that a further and more extensive study should be made as a guide to future policy with respect to fares. He stated that in his opinion "most managements will endeavor to obtain needed additional revenue through further increases in flat universal fares. . . . There are some indications of increasing interest on the part of management in zone fares, but thus far the inherent difficulties attending the introduction and operation of zone fare systems has deterred most managements from experimenting with this type of fare structure." He pointed out that some managements are working along lines of making service more convenient and attractive while others feel that transit riders are "necessity" riders and that their habits will not be greatly changed by promotional efforts. Another group believes in still higher fares, which would not merely take care of immediate increases in wages and expenses but would maintain earnings at a level to permit the financing of desirable modernization programs.

Summarizing, in our own opinion the major problem of the industry at present would seem to be to reduce its payroll cost per unit of product. Special promotional programs may attract a few new customers but certainly furnish no major solution. Fares may be pushed higher in some areas (where still below 10 cents) but it must be remembered that the country is still prosperous and that any future depression may reveal increased resistance to high fares. The main opportunity for budgetary control would seem to lie in the field of redesigning routes and schedules to obtain maximum possible loading of equipment at all hours, for this seems to be the surest way to offset skyrocketing payroll costs. In other words, the industry must get greater re-

sults per man-hour of work through intensive planning—it was able to do this during the war *without* planning.

**T**HUS the greatest opportunity to put the industry back on its feet would seem to be through tightening up of management and administration, which may have developed slipshod, easygoing habits during the wartime boom period. More and better statistics must be compiled to show what schedules and what divisions are causing the red ink. The air lines have been faced with a similar problem but Captain Rickenbacker of Eastern Air Lines has demonstrated how to keep a company out of the red through close operating and budgetary control.

### *Holding Companies Educate The Analysts*

IT is becoming the custom for holding companies in dissolution to issue to stockholders and the general public descriptive literature, and also separate any detailed compilations of statistics on the subsidiaries for the use of analysts. This has been done by Middle South Utilities (the new holding company distributed by Electric Power & Light). Elaborate brochures and statistics also have been issued for the Commonwealth & Southern subsidiaries recently. The story on Central Illinois Light, for example, devotes space to such topics as earnings and dividends, territory and business, property construction program, operating data, capitalization, rates and regulations, and employee relations. Detailed income account figures for 1939-48 and for the twelve months ended June 30th are presented; also electric and gas operating statistics, a breakdown of electric revenues for 1939-48, and an analysis of plant operations for 1948 and the first half of 1949.

Southern Company some weeks ago arranged for a week's tour of its properties by a group of statisticians. A similar tour of the properties of Consumers Power was recently organized, and one for Ohio Edison is currently in progress.

## FINANCIAL NEWS AND COMMENT

### RECENT FINANCIAL DATA ON GAS COMPANY STOCKS

	9/7/49 Price About	Indicated Dividend Rate	Approx. Yield		Share 12 Mos. Ended	Earnings Cur. Period	Prev. Period	% In- crease	Price- Earnings Ratio
<b>Natural Gas—Retail</b>									
Arkansas Natural Gas ...	10	\$.40	4.0%	Dec.	\$1.44	\$.80	80	6.9	
Atlanta Gas Light .....	18	1.20	6.7	June	1.82	1.78	2	9.9	
Columbia Gas System ....	11	.75	6.8	June	1.00	1.17	D 6	11.0	
Consol. Nat. Gas .....	41	2.00	4.9	June	3.65	4.03	D 9	11.2	
Houston Nat. Gas .....	15	.80	5.3	July	1.42	1.29	10	10.6	
Indiana Gas & Water ...	17	1.20	7.0	July	1.59	1.40	14	10.7	
Kansas-Neb. Nat. Gas ...	15	1.00	6.7	Dec.	1.70	1.36	25	8.8	
Laclede Gas Light .....	7	.20	3.0	June	.92	.90	2	7.6	
Lone Star Gas .....	22	1.20	5.5	June	1.97	2.13	D 8	11.2	
Minneapolis Gas .....	14	.80	5.7	Dec.	1.03	1.10	D 6	13.6	
Mission Oil .....	37	2.20	5.9	Dec.	2.05	2.04	—	18.0	
Mobile Gas Service .....	24	1.50	6.3	June	2.36	2.76	D14	10.2	
Montana-Dakota Util. ....	13	.80	6.2	June	1.35	1.30	4	9.6	
National Fuel Gas .....	10	.60	6.0	Apr.	.77	.78	—	13.0	
National Gas & Elec. ....	6	.60	10.0	Dec.	1.51	1.64	D 8	4.0	
Oklahoma Natural Gas ...	30	2.00	6.7	July	3.17	3.41	D 7	9.5	
Pacific Pub. Ser. ....	18	1.00	5.6	Dec.	2.43	1.91	28	7.4	
Peoples Gas L. & C. ....	111	6.00	5.4	June	11.37	10.36	10	9.8	
Rio Grande Valley .....	2	.12	6.0	Dec.	.20	.21	D 5	10.0	
Rockland Gas .....	28	1.70	6.1	Dec.	2.73	3.36	D19	10.3	
Southern Union Gas .....	16	.80	5.0	June	1.53PF	—	—	10.5	
Southwest Nat. Gas ....	4	.20	5.0	June	.34	.26	31	11.8	
Texas Pub. Serv. ....	30	1.20	4.0	May	2.37	2.59	D 8	12.7	
Washington Gas Light ...	24	1.50	6.3	July	1.15	2.87	D60	20.9	
Averages .....			5.8%					10.8	
<b>Natural Gas—Wholesale and Pipeline</b>									
El Paso Nat. Gas .....	25	\$1.20	4.8%	June	\$2.28	\$2.05	12	11.0	
Interstate Nat. Gas .....	27	2.00	7.4	Dec.	2.03	1.71	19	13.3	
Mississippi River Fuel ...	33	1.80	5.5	June	2.57	—	—	12.8	
Missouri-Kansas P. L. ....	28	1.00	3.6	Dec.	1.32	1.27	4	21.2	
Mountain Fuel Supply .....	17	.60	3.5	Dec.	.91	.94	D 3	18.7	
Northern Nat. Gas .....	34	1.95	5.7	June	2.65	2.86	D 7	12.8	
Panhandle East. P. L. ....	56	3.00	5.4	June	4.66	4.56	2	12.0	
Republic Natural Gas ....	30	1.00	3.3	June	3.03	2.72	11	9.9	
Southern Nat. Gas .....	33	2.00	6.1	June	3.09	2.85	8	10.7	
Southern Production .....	7	—	—	June	.37	.28	32	18.9	
Southwest Gas Prod. ....	7	—	—	Dec.	.47	.47	236	14.9	
Tenn. Gas Trans. ....	30	1.40 & Stk.	4.7	July	2.24	—	—	13.4	
Texas Gas Trans. ....	13	—	—	May	.75	—	—	17.3	
Texas East. Trans. ....	16	—	—	Mar.	1.31	—	—	12.2	
Averages .....			5.0%					14.2	
<b>Manufactured Gas—Retail</b>									
Bridgeport Gas .....	22	\$1.40	6.4%	Dec.	\$1.60	\$1.69	D 5	13.8	
Brockton Gas L. ....	14	1.00	7.1	Dec.	.43	1.00	D11	32.6	
Brooklyn Union Gas ...	33	1.60	4.8	June	3.01#	—	—	—	
Haverhill Gas L. ....	21	1.60	7.6	July	2.00	1.29	55	10.5	
Jacksonville Gas .....	31	1.40	4.5	Dec.	6.06	5.64	7	5.1	
Kings County Ltg. ....	6	.40	6.7	June	.13	—	—	—	
New Haven Gas Light ...	27	1.60	5.9	Dec.	1.76	1.77	—	15.3	
Providence Gas .....	10	.60	6.0	Dec.	.73	.64	14	13.7	
Seattle Gas .....	10	.25	2.5	June	1.01	.44	130	9.9	
South Jersey Gas .....	9	—	—	Dec.	.38	.15	153	23.7	
Averages .....			5.7%					15.9	

D—Decrease or deficit. E—Estimated. C—Curb Exchange. O—Over-counter or out-of-town exchange. S—New York Stock Exchange. \*Company serves mixed gas but the trend in most cases is toward greater use of natural gas, hence we have dropped the separate classification. PF—Pro Forma. #—Six months ended June 30, 1949.

# PUBLIC UTILITIES FORTNIGHTLY

## RECENT FINANCIAL DATA ON TELEPHONE, TRANSIT, AND WATER COMPANIES

	<i>9/7/49 Price About</i>	<i>Indicated Dividend Rate</i>	<i>Approx. Yield</i>	<i>12 Mos. Ended</i>	<i>Share Cur.</i>	<i>Earnings Period</i>	<i>Prev. Period</i>	<i>% In- crease</i>	<i>Pri- ori- ty Earnings Ratio</i>
<b>Telephone Companies</b>									
<i>Bell System</i>									
S Amer. Tel. & Tel. ....	145	\$9.00	6.2%	May	\$8.89	\$9.23	D 4	16.3	
O Cinn. & Sub. Bell Tel. ....	75	4.50	6.0	Dec.	3.76	3.85	D 5	19.9	
C Mountain Sts. T. & T. ....	99	6.00	6.1	June	7.25	5.98	21	13.7	
C New England Tel. ....	83	4.00	4.8	June	4.59	4.68	D 2	18.1	
S Pacific Tel. & Tel. ....	101	7.00	6.9	May	6.21	3.70	68	16.3	
O So. New Eng. Tel. ....	31	1.60	5.2	Dec.	2.22	.94	136	14.0	
Averages .....					5.9%				16.4
<i>Independents</i>									
C Associated Tel. A ....	27	—	—	—	—	—	—	—	10.6
S General Telephone ....	27	\$2.00	7.4%	June	\$2.55	\$2.04	25	—	
C Peninsular Tel. ....	45	2.50	5.6	Dec.	5.66	5.25	8	8.0	
O Rochester Tel. ....	11	.80	7.3	Dec.	.80	.47	70	13.8	
<b>Transit Companies</b>									
O Baltimore Transit ....	2	—	—	—	—	—	—	—	9.0
O Capital Transit ....	20	\$.50	2.5%	June	\$2.21	\$1.81	173	—	
O Chic. S. S. & S. B. ....	8	1.00	12.5	Dec.	1.40	1.38	1	5.7	
O Cinn. St. Ry. ....	4	.30	7.5	Dec.	.77	1.57	D51	5.2	
O Dallas Ry. & Term. ....	11	1.40	12.7	Dec.	2.27	3.39	D33	4.8	
O Duluth Sup. Trans. ....	9	1.00	11.0	Dec.	.44	2.75	D84	20.5	
O Kansas City Pub. Ser. ....	2	—	—	July	.13	—	—	15.4	
O Los Angeles Transit ....	5	.50	10.0	Dec.	.93	.87	7	5.4	
S Nat'l. City Lines ....	9	.50	5.6	Dec.	1.97	1.57	25	4.6	
O Phila. Transit ....	3	—	—	Dec.	1.03	.31	232	2.9	
O Rochester Transit ....	3	—	—	—	—	—	—	—	
O St. Louis Pub. Ser. A ....	5	—	—	Dec.	.70	.37	89	7.1	
O Syracuse Transit ....	17	2.00	11.8	Dec.	1.40	3.52	D60	12.1	
S Third Ave. Transit ....	3	—	—	—	—	—	—	—	
S Twin City Rapid Tr. ....	7	—	—	—	.39	.62	D37	17.9	
O United Transit ....	3	—	—	Dec.	.13	.21	D38	23.1	
Averages .....					9.2%				10.3
<b>Water Companies</b>									
<i>Holding Companies</i>									
S Amer. Water Works ....	8	\$.60	7.5%	June	\$.89	\$.78	14	9.0	
O N. Y. Water Service ....	32	1.20	3.8	June	6.19	1.93	221	5.2	
O Northeastern Water ....	14	—	—	June	1.27	.92	38	11.0	
<i>Operating Companies</i>									
O Calif. Water Ser. ....	28	\$2.00	7.1%	July	\$2.73	\$2.43	12	10.3	
O Elizabethtown Water ....	105	6.00	5.7	Dec.	6.89	7.33	D 6	15.2	
S Hackensack Water ....	34	1.70	5.0	Dec.	2.79	3.08	D 9	12.2	
O Indianapolis Water ....	17	.80	4.7	Dec.	1.42	1.19	19	12.0	
O Middlesex Water ....	56	3.00	5.4	Dec.	4.94	5.71	D13	11.3	
O New Haven Water ....	60	3.00	5.0	Dec.	3.61	3.34	8	16.6	
O Ohio Water Ser. ....	19	1.50	7.9	June	2.15	2.29	D 7	8.8	
O Phila. & Sub. Water ....	20	.80	4.0	Dec.	3.01	2.70	11	6.6	
O Plainfield Union Water ....	67	4.00	6.0	Dec.	5.02	4.74	6	13.3	
O San Jose Water ....	31	2.00	6.5	July	2.94	2.70	9	10.5	
O Scranton-Spring Brook ..	10	.70	7.0	Mar.	.85	.85	—	11.8	
O Southern Cal. Water ....	39	3.25	8.3	June	3.73	5.42	D31	10.5	
O Stamford Water ....	53	2.00	3.8	Dec.	2.21	2.27	D 3	24.0	
O West Va. Water Ser. ....	15	1.00	6.7	June	1.47	1.43	3	10.2	
Averages .....					5.9%				12.4

D—Deficit. E—Estimated. C—Curb Exchange. O—Over-counter or out-of-town exchange  
S—New York Stock Exchange.



## PUBLIC UTILITIES FORTNIGHTLY

2. Do you feel that modernization of street-lighting facilities in your city would help to provide conditions that would discourage the commission of crime?

Still further benefits resulting from good lighting are acknowledged by cities which have relighted, such as the improvement of business, increase in property values, the promotion of civic pride, and the enhancing of the city's prestige.

Safety with emphasis on "courtesy" is the theme of the popular new book, "Motor Manners," written by Emily Post and distributed on a nonprofit basis by the National Highway Users Conference.

The booklet, using as a starting point the theory that nobody wants to act like a boor if he only stops to think about it, goes on to show why bad driver and pedestrian conduct is also bad manners. Distribution is heavy with requests from the men slightly in the majority. A traffic judge in Nashville, with the co-operation of the local chamber of commerce, sees that traffic offenders coming before him receive a copy. Many employers are distributing it impartially to their drivers, knowing that the good drivers will find it interesting reading and that the bad drivers will find it important reading. Driving schoolteachers and automobile dealers are some of the many other interested outlets for the publication.

WHAT Mrs. Post has to say in her illustrated 48-page booklet is summed up in a concluding "Code of Courtesy." It follows:

1. A well-mannered driver will share the road, never usurping the right of way from other vehicles or pedestrians.

2. A well-behaved driver uses his horn as a warning device in emergencies and never as a bad-tempered voice to threaten or scold.

3. An honorable man or woman would no more cheat traffic regulations than cheat at games or sports.

4. Courteous pedestrians will cross busy streets at intersections, respect

traffic lights, and avoid darting out from behind parked vehicles.

5. An obliging driver will never fail to dim his lights when meeting other cars in the dark.

6. Well-bred people, whether drivers or passengers, are just as considerate of each other as are hosts and guests in a drawing room.

7. An accommodating driver parks his car so as not to interfere with the use of other parking spaces or with the movement of other vehicles.

8. Orderly drivers always keep to the right, except when using the proper lane for turning or passing.

9. A courteous driver never fails to signal his intentions to stop, turn, or pull out.

10. Considerate persons always drive at speeds which are reasonable and prudent, considering traffic, road, and weather conditions.

11. One who has any consideration for the safety of others will refrain from driving when physically exhausted.

12. Kindly persons never show curiosity at the scene of an accident and always give any assistance that may be possible.

This well-mannered appeal for the cause of safety seems to represent a palatable type of positive approach to a subject, the serious significance of which is often lost in a maze of antagonizing "do and don't" commands.

THE public utilities section of the National Safety Council calls attention to the importance of "little things" in its August *News Letter*. It is on the so-called routine or "little jobs" that most injuries occur. Consequently, it is the accumulation of a lot of "little things" that accounts for a company's bad accident record. The article stresses the need for a constant awareness and psychological approach on the part of management in putting across a successful safety program. It points out that a favorable word or action at the right time by management or supervision can have a

## WHAT OTHERS THINK



"IN PLEASE!"

big influence on the individual worker's attitude toward safety just as an indifferent management attitude may well be reflected in the employee's attitude—thus the necessity for a program of a lot of "little things" that will reach out and permeate the entire organization with a wholesome attitude on safety.

A good example of safety planning in action is the recent meeting in New York of the Ebasco Services' planning committee on safety. The purpose of the meet-

ing was to design the program for its eleventh annual client companies' safety meeting which will be held in Chicago in conjunction with the National Safety Congress during the week of October 24th.

Committee members brought to the meeting a wealth of ideas to be incorporated in the program. Several committeemen held regional conferences with safety and personnel officials of other client companies in their territories and

## PUBLIC UTILITIES FORTNIGHTLY

as a result the fall meeting of the client companies—operating in 37 states and 17 foreign countries—should have an interesting and varied program. In addition to speeches by prominent officials in the utility industry, the program will feature two panel discussions: "What's

Your Problem?" and "The Kind of Safety Program I Need"; a demonstration of an accident investigation; a safety man's clinic; and separate round-table discussions of accident prevention problems in electric, gas, transportation, and construction operations.

## Satellite Cities Threaten Metropolitan Transport

MUNICIPAL-conscious transit men will view with interest the remarks of Edward F. Alexander, former assistant corporation counsel of Cincinnati, which were made before the municipal law section of the American Bar Association at the recent ABA convention in St. Louis.

Mr. Alexander sounded a warning alarm at the present exodus of urban population to the suburbs. This trend, according to the attorney, may well spell the eventual disintegration of good city government and community service unless steps are taken to cope with the municipal problems resulting from this situation.

At present, the suburban communities in desperate need of good community services are attempting to draw on the city services in resorting to makeshift schemes to satisfy their needs. Among these makeshifts is permission by the subareas to let the major city provide, without their contribution, such services and facilities as over-all planning, major highways, parks, sewer installations, and public health protection. Other makeshifts include setting up a variety of undemocratic districts and commissions to handle particular problems, thus adding to the number of uncoordinated governmental units. The speaker states:

The immediate obvious results of a city's expansion outside its limits are the loss of financial support and the loss of many of its desirable citizens. The major city tends gradually to become a gathering place for those financially unable to leave it and for the underprivileged who swarm in from the outside.

**T**HIS condition results in a weakening of the city internally, while at the same time it is still looked to for increasing community service to the outside area. As the average quality of citizenship deteriorates, the major city becomes less capable of developing first-class civic leadership and more prone to follow political leaders who build up powerful political machines.

In conclusion, Mr. Alexander pointed out that the problem of coördination and consolidation is here and it must be solved by planning. Continued resort to makeshifts will only hasten the breakdown in community service, with resultant confusion and chaos.

Compulsory arbitration of labor disputes in public utilities, as provided for in the Missouri King-Thompson Act, was the topic of discussion in a talk given by Gilbert Nurick, a Harrisburg lawyer, before the public utilities section of the American Bar Association convention. Before such laws are broadened, they should be "tested in the crucible of experience," according to Mr. Nurick. Pending this test of experience, more effort should be spent on perfecting techniques consistent with the policy of free collective bargaining.

In citing several examples in the United States and elsewhere where compulsory arbitration has failed, the lawyer said:

We must conclude that actual experience with compulsory arbitration has not fulfilled the glowing predictions of its most insistent advocates. We have observed, too, that the compulsory technique is fraught with

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danger and that the public could be the unwitting victim of a process specially designed for its protection but failing in its purpose.

Any expansion of existing legislation should be in the direction requiring arbitration only in those essential industries where a work stoppage would directly and promptly affect public health and

safety. Consideration, in these cases, should be given to the sharp distinction existing, for example, among an electric, water, or sewage company, where a work stoppage would definitely affect the public health and a transportation company where, in coping with such a stoppage, the customers could find alternate means of travel.

## Good Transit Is Good Business

THE *Railwayan*, the monthly publication of the Kansas City Public Service Company, sums up in its August issue the important contributions made by good transit operations in the interest of good community relations. Presented under four headings they are as follows:

**1. Good Public Transit Promotes Business**—Every downtown owner or operator of a store, shop, or office has an interest in how many and how well passengers are carried by public transit. Why? Because good transit service means more customers. Records show that as many as 80 per cent of all persons arriving or departing from business districts use public transit facilities.

**2. It Helps Sustain Property Values**—Good transit service makes the business district readily accessible and more attractive to people. Only with such ease of access can a well-knit central business district continue and downtown property values be saved. Studies show that without good transportation, downtown business areas decentralize and property values decline.

**3. Cuts Traffic Congestion** — Improved transit service offers a low-cost solution to constantly growing traffic congestion. Public transit can and must be encouraged to develop so it can be brought into proper balance with private transportation. Otherwise our cities will face huge expenditures for street widenings, new thoroughfares, and other costly measures, all paid for with higher taxes.

**4. Aids Community Development**—Well-planned improvements in public transit service help to assure sound development of communities and retard general community dispersion. All municipal services become more costly when communities explode into many small neighborhoods.

The ideas found in these comments are today receiving increasing recognition by transit companies, city government, businessmen's associations, and chambers of commerce, as evidenced by traffic study information currently being given wide public distribution, the formation of parking authorities, and the publication of "off-street parking" booklets.

**A**N example of this public relations information service is found in the *Transit News*, a pamphlet made available to the riding public on the busses and streetcars of the Capital Transit Company in Washington, D. C. In a typical issue it is pointed out that traffic is one of Washington's biggest problems today and a greater use of public transit is an economical solution. Since each vehicle carries as many passengers as 30 automobiles and requires no valuable parking space, the alleviation of traffic congestion is quite obvious.

To illustrate the advantage of using public transit for urban transportation, the folder reviews the results of a traffic survey in which it is shown that each automobile passenger requires an area of approximately 500 square feet of street space while the vehicle in which he is being transported is moving at a speed of

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25 miles per hour; based on the average of 1.75 passengers per automobile the average space required for an automobile in traffic is about 875. In addition this average automobile passenger must be allowed 140 square feet of space for parking. In sharp contrast to the automobile passenger is the transit passenger who needs no valuable space and needs only 70 square feet of street space—only one-seventh as much as the automobile passenger.

Direct action in the way of a municipal review of the traffic situation was the formation a few months ago of a Traffic Commission for New York city. At the time of its inception it was hailed as a move to take the municipality one step closer to a parking authority, the creation of which, many felt, must precede any real solution of the traffic tangle. The hope of a solution along these lines seemed close to realization this month when the Traffic Commission handed down its first major decision recommending an independent parking authority to provide off-street parking lots and garages. The need for such a move has long been recognized by students of the traffic problem since regulations against curb parking are practically unenforceable when reasonable off-street parking is unavailable. Public action in this direction was inevitable since private enterprise in the face of high land costs cannot offer adequate facilities.

In its decision the Traffic Commission asks that the parking authority be given broad powers to select sites for garages and parking lots, to purchase, or, if need be, condemn land, using authority given the city under the Desmond Law, and, finally, to finance its own construction projects through the sale of

bonds. It would then either operate the parking facilities itself or lease them to private interests.

The advantage of an authority is that it may borrow money outside the city debt limit. It can borrow only for self-supporting projects, however. A consideration of this factor was brought out in a comment on the new parking authority plan when Paul Windels, president of the Regional Plan Association, pointed out that it will be just as difficult for a parking authority to make parking garages self-supporting on too costly sites as for private capital. He stated that the only solution to this plan might be the necessity of the city contributing the land.

Additional recommendations of the Traffic Commission include the turning over of all parking meter funds to the authority for use in implementing its program. Any action in the way of forming the parking authority and going ahead with these commendable recommendations must await approval of the legislature.

Further evidence of a universal appreciation of the importance of the parking and traffic problem in its relation to sound and successful business operation is found in the recent announcement by the Chamber of Commerce of the United States of the publication of a booklet, entitled "Off-street Parking." In 40 pages, complete with photographs and drawings, it gives an up-to-date summary of the undertakings of private enterprise throughout the country in dealing with the parking problem. This includes suggestions for making better use of present parking facilities and examples of group action of businessmen and property owners.

—D. B.

## Passing of the Frisco Cables?

ROMANTIC and historical arguments combine with the usual economic ones in the dispute involving the California Street Cable Railroad in San Francisco. These little hill-climbing cars,

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which have through the years become such an integral part of the San Francisco urban scene, are threatened with extinction unless some permanent solution is found to allow their unprofitable

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but utilitarian existence to continue.

Indicative of the widespread community interest in their survival is the independent action taken by public-spirited citizens. One scheme designed to encourage others in the same direction was that used by the Fireman's Fund Insurance Company when, on the occasion of its contribution to a fund to help the cables out of their present financial dilemma, a christening ceremony was performed by a lady passenger, complete with the customary champagne bottle, and the cable car named, "Fireman's Fund."

A more sober approach to the problem was presented in the editorial columns of the *San Francisco Chronicle* where it was pointed out that proper transporta-

tion is a part of property values and that the former passengers of the O'Farrell-Hyde-California streets system were entitled to, but not getting, service. It was recommended that in view of the changing conditions—the proposal was once rejected at the polls—the voters should have a chance to reconsider the advisability of purchasing the system by means of a public bond issue.

In the meantime, while an employees' strike continued and word on the bond issue vote was awaited, a Federal conciliator, Andrew J. Gallagher, came forth with a proposal whereby private sources would offer funds amounting from ten to twenty thousand dollars to tide the operations over until such time as a more permanent plan could be put into effect.

## Notes on Recent Publications

Is BIG BUSINESS BAD BUSINESS? Charles E. Noyes discusses this timely subject and points out that in order to advance the idea of the "welfare state" through the breaking up of big business, a mobility of labor would be required which is practically unthinkable in 1949. He considers it plain silly to approach the problem in terms of what we would like the world to be if we could start all over again, or even in an inherited dislike of big business merely because it is big. Rather that we should do something about the situation as it actually exists.

Noyes sees as incompatible the idea of vigorous antitrust prosecution, high minimum wages, stabilized economy, and rising standard of living which are precepts of liberal thinking since these latter three conditions, to the extent that they have been attained, are inextricably tied up in the big business economy. Union officials who engage in industry-wide bargaining are essentially illogical if they criticize business on the grounds of size, or if they object to organizations of employers. *The Nation*, August 6, 1949.

NARUC REPRINTS. The State Law Reporting Company, 30 Vesey street, New York city, official publishers, announce that the supply of the reprints made several months ago of the National Association of Railroad and Utilities Commissioners' Uniform System of Accounts for Electric, Gas, and Water Utilities, and the Lists of Retirement Units, is rapidly diminishing, and urge all those who are interested in these accounting publications to order their requirements at once.

TRANSIT FACT Book. Basic data and trends

in the transit industry in the United States are summarized in the 1949 edition of the *Transit Fact Book* published by the American Transit Association. The transit industry as analyzed includes (1) local motorbus lines, (2) electric street railways, (3) elevated and subway lines, (4) interurban electric railways, and (5) trolley coach lines.

The primary sources of the data therein developed are the financial and statistical reports received by the American Transit Association from transit companies representing more than 85 per cent of the transit industry.

Copies are available at the offices of the American Transit Association, 292 Madison avenue, New York 17, New York. Lots up to ten are free and in lots over ten there is a charge of 10 cents per copy.

A VISIT WITH INDIANAPOLIS POWER & LIGHT COMPANY. Guests of the Indianapolis Power & Light Company will go away with vivid recollections of their visit to the company properties. To aid in making their visit a memorable one, the Indiana utility has prepared a handsome pocket-size booklet containing photographs of the properties and operations of the company.

Notable among the many features is a fold-in, 3-page picture chart which outlines various steps in the production of electric energy from the coal mine to the customer. In a statement prefacing the Indianapolis power story, H. T. Pritchard, president and general manager of the company, points out the impressive fact that electricity is the only commodity that is produced, delivered, and consumed in the same instant it is ordered.



# The March of Events

## In General

### Public Transit Wages Exceed Private Firms

OPERATORS of streetcars and busses over the nation apparently have found it easier to obtain pay increases if they work for a publicly owned transit system than if they are employed by a system operated privately, according to statistics assembled by Simpson & Curtin, traction consultants with headquarters in Philadelphia.

The Philadelphia firm listed wage rates for one-man operation of streetcars and busses in 39 cities of more than 250,000 population. The pay by publicly owned transit systems in 7 cities for this work ranged from \$1.44 to \$1.60 an hour. The pay by privately owned transit companies in 35 cities ranged from \$1.26 to \$1.55 an hour.

Seattle's publicly owned transit system and the Chicago Transit Authority, under a new wage agreement announced recently, are the only operators with the \$1.60 rate.

The third highest pay rate for the one-man streetcar and bus operation is the \$1.555 an hour prevailing in Detroit's municipally owned transit system. The corresponding pay rates in the other four publicly operated transit systems are: Cleveland, \$1.50; Boston, \$1.455; San Francisco, \$1.506; and New York city, \$1.44.

### EEI Assails REA Cost

THE Edison Electric Institute this month issued an analysis of government-released information to show that the Rural Electrification Administration,

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a division of the Department of Agriculture, was becoming "an increasingly expensive proposition," because of rising costs of construction.

It concluded that the total expense for each customer connected to REA power lines has increased \$259 since December 7, 1941. Up to Pearl Harbor time, the cost for connecting rural customers to the Federal agency's lines was said to be \$370. This compares with \$629 for customers connected in the last twelve months, the EEI said, adding: "According to allotments for new construction, the REA itself expects this figure to rise to \$874 in the near future."

At the same time, the institute study showed, the over-all cost of a mile of REA line, which averaged \$963 up to June 30, 1941, stood at \$1,873 for each additional mile energized during the past year.

Excluding generation, transmission, and facilities on the consumers' own premises, the cost of the new distribution lines alone is now expected by the REA to reach \$2,190 for those projects for which allotments and loan estimates have recently been made, the report continued.

### Schram to Address AGA

EML SCHRAM, president of the New York Stock Exchange, will be the keynote speaker at the thirty-first annual convention of the American Gas Association in Chicago on October 20th. More than 6,000 gas utility representatives are expected to attend the 4-day conferences from October 17th to 20th at the Palmer House, Morrison hotel, and Sherman hotel.

The gas industry recently announced

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revised estimate of \$3.5 billion for gross construction expenditures for the period 1948-1952, inclusive. An important segment of this new capital is being raised through new issues of common and preferred stocks. Mr. Schram will present to the gas industry an authoritative viewpoint on the importance of equity financing.

Headlining the program on October 19th will be Harry M. Miller, chairman, Ohio Public Utilities Commission, and recently elected president of the National Association of Railroad and Utilities Commissioners. Mr. Miller will speak on "Duplication of Regulation," sustaining in so far as possible the jurisdiction of the states in matters of intrastate regulation.

### Seeks FPC Authority to Increase Capacity

TRANSCONTINENTAL GAS PIPE LINE CORPORATION on September 9th filed an application with the Federal Power Commission for authority to increase the delivery capacity of its 1,840-mile natural gas line, now under construction, to 505,000,000 cubic feet per day from the 340,000,000 cubic feet per

day previously authorized by the commission. The enlarged transmission system will extend from Hidalgo county, Texas, to New York city and through Westchester county to the New York-Connecticut state line.

Through the Westchester county extension the company will deliver 100,000,000 cubic feet of gas per day to Northeastern Gas Transmission Company for distribution in New England.

The company also seeks the commission's permission to increase the delivery quantities to the company's presently authorized utility customers from 302,500,000 to 374,200,000 cubic feet per day.

Among such customers who will be served upon completion of the line are Consolidated Edison Company of New York, Inc.; Public Service Electric & Gas Company of New Jersey; Brooklyn Union Gas Company; Kings County Lighting Company; Long Island Lighting Company; Brooklyn Borough Gas Company; Philadelphia Electric Company; and Elizabethtown Consolidated Gas Company. The application lists as a new customer South Jersey Gas Company for 18,000,000 cubic feet per day, delivery to be made at or near Camden, New Jersey.

## Arkansas

### Recommend Increased Fares And Wages

CAPITAL TRANSPORTATION COMPANY employees recently won a 7½-cent-an-hour wage increase, with 2½ cents more to be added if the company is able to raise its fares.

The award was made by a 3-man arbitration board selected after the company and union had been unable to agree on certain contract clauses. The board's recommendation is binding on company and union. The union sought a 25-cent-an-hour wage increase.

The board, headed by Dr. Marion A. Boggs, chairman, recommended that the proposal for a fare increase be placed

before the state public service commission for immediate consideration. The company has been charging 10-cent fares for adult passengers since April, 1948. The fare was increased from 7 cents by the commission in an interim order at that time. That order still is in effect and the commission still has jurisdiction over the April, 1948, findings which were made on a petition by the company. Present fares could be revised by the commission by simple amendment of its 1948 order.

The board's report stated that in order to make this increase in wages possible and safeguard the financial integrity of the company, the CTC was entitled to a fare increase.

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### California

#### Rail Acquisition Disapproved

**A**QUISITION of the California Street Cable Railroad Company through a November 8th bond issue election was disapproved recently by the San Francisco Public Utilities Commission. The commissioners said they felt the economy of the Municipal Railway would be jeopardized by addition of the money-losing cable car company. Philip Landis, chairman, said Cal Cable would continue to lose money even if absorbed by Muni.

The commission's recommendation against a bond issue was immediately forwarded to the board of supervisors. In effect, it prevented the board from placing a bond issue proposition on the November 8th ballot, and thereby left solution of the cable car company's difficulties up in the air.

But the issue was not regarded as closed by 175 citizens—cable car riders, company and union officers, and city utility men—who met recently to review the situation. The gathering was arranged almost single-handed by Raymond D. Smith, a "rider" and real estate man, who posted mimeographed invitations in stores along the cable routes.

Among various suggestions from the floor were several urging the line to boost its fares. The meeting ended without agreement on any specific action. No resolutions were passed.

The line went out of operation September 1st when Carmen refused to accept a 12-cent-an-hour wage cut. Company officials, claiming a \$5,000-a-month operating loss, said the line could not run unless the cut were accepted.

Two offers were made by the com-

pany to sell the line to the city. One of these provided for a \$10,000 down payment and \$200,000 to be paid within a year. The second offer provided for payments of \$25,000 a year over a period of ten years.

Senator Gerald J. O'Gara of San Francisco has been elected chairman of a state senate interim committee investigating proposed establishment of a Bay area rapid transit district. Without such a district, said O'Gara, there is danger of civic decentralization. Other members present at an organizational meeting of the committee in the state building at San Francisco were Senators Thomas F. Keating of San Rafael and George Miller, Jr., of Richmond.

Purpose of the committee is to outline a program of action for formation of a rapid transit district in line with Senate Bill 194 passed by the last legislature.

#### Approves Purchase Price

**T**HE state public utilities commission recently approved a figure of \$13,917,000 as the purchase price to be paid by the Sacramento Municipal Utility District for the electric distribution system formerly owned by the Pacific Gas and Electric Company.

The amount set by the commission previously had been agreed upon by the municipal utility district's directors and the PG&E, and the state commission's decision was a formality.

Still to be accomplished at the time was the signing of a Sacramento County Superior Court judgment officially establishing the figure as the purchase price. This also was an uncontested procedure.

### Delaware

#### New Commission Holds First Meeting

**D**ELAWARE'S new state public service commission held its first meeting on

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September 7th, with members deciding to visit similar agencies in Maryland, Pennsylvania, and New Jersey to study their operations.

Members of the new commission, who

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were appointed by the governor to serve at annual salaries of \$4,500, are John C. Hazzard of Roselle, Vernon B. Derrickson of Dover, and Walter C. Phillips of near Lewes. The agency was created under an act of the 1949 state legislature

which went into effect September 1st, at which time the life of the Wilmington Board of Public Utility Commissioners terminated. Delaware did not previously have any statewide utility regulatory agency.

## Illinois

### Transit Inquiry Proposed

**M**AJOR Kennelly, indicating disapproval of a proposal that Chicago Transit Authority fares be raised 2 to 5 cents, suggested recently that the rate structure be analyzed and that the entire setup of the CTA be examined by the state legislature in the light of experience.

Kennelly said he was not in entire agreement with the principle that the way to increase earnings is to raise prices. "It might be that the whole setup of the CTA should be examined by the state legislature to see whether, in view of experience, it is the proper one," he said.

The proposals for fare increases, which aroused a protest from riders, were made to the CTA board in a report by Walter J. McCarter, the authority's general manager. He advocated that basic surface line fares be boosted from

13 to 15 cents and the basic fares for elevated, subway, and express busses be increased from 15 to 20 cents.

Wage increases which will cost the publicly owned transit authority about \$4,500,000 in the current contract year were agreed on early this month for more than 22,000 CTA employees, and Ralph Budd, CTA board chairman and former president of the Burlington Railroad, forecast a fare increase to cover the wage raise and other increased operating costs.

The agreement provides a 5 cents per hour increase retroactive to June 1st, when the union contract expired, and effective to December 1st. Another 5 cents per hour increase is to be added December 1st, effective to next June 1st.

Budd said the raise will apply to all elevated, streetcar, and CTA bus employees, including proportionate increases for nonoperating and office workers.

## Iowa

### Utility Values Rise

**A**N increase of approximately 9 per cent has been made in the valuation of Iowa public utilities for taxation in 1950, Warren Wells, chairman of the state tax commission, reported recently.

The total assessment fixed after hearings this summer by the commission is \$333,896,142, an increase of \$27,674,898 over the previous total. All assessments were made at 60 per cent of the actual values of the properties, as required by law.

The principal increase was in the valua-

tion of electric, gas, pipe-line, heat, water, and miscellaneous utilities, which were raised \$16,231,419 to \$160,299,607. This was due largely to expansion of plants to meet increased postwar demands.

With the abandonment of service by the Omaha & Council Bluffs Street Railway Company in Council Bluffs, the only street railway assessment was one of \$480,000 on the streetcars and equipment of the Des Moines Railway Company. The bus and trackless trolley operations of the Des Moines firm are subject to special taxes rather than property tax.

## Massachusetts

### Signs Natural Gas Deal

**C**ONTRACTS were signed at Springfield last month—the first in any New England city—to provide natural gas to the Springfield Gas Light Company.

The 20-year contracts were signed by officials of the local utility and the newly formed Northeastern Gas Transmission Company. They provide for delivery of natural gas by pipeline from the Texas oil fields by 1951 and possibly as early

as the fall of next year, the local company said.

Execution of the deal depended on Federal Power Commission approval of Northeastern's application to construct a 511-mile New England pipe-line system at a cost of \$17,000,000. It would link with transcontinental lines of Tennessee Gas Transmission Company and Transcontinental Gas Pipe Line Corporation, which have agreed to supply Northeastern.

## Michigan

### Lower Court Injunction Upheld

**B**OTH the city of Mt. Pleasant and Michigan Consolidated Gas Company won partial victories in a rate dispute decided this month by the state supreme court.

A decision written by Justice Leland W. Carr upheld a lower court injunction which barred the inclusion of Mt. Pleasant in a state public service commission order boosting rates for all of the gas company's patrons.

The court's unanimous decision directed, however, that the injunction be reworded to permit Michigan Consolidated to base its plea for new gas rates

in Mt. Pleasant on operating costs throughout its entire service area.

City officials objected to the gas company's 1948 petition to the public service commission seeking approval of a uniform rate schedule applying to customers in all of its service districts, including Mt. Pleasant.

The city contended rate changes involving gas users in Mt. Pleasant were subject to restrictions written into a 1931 municipal franchise. The 30-year franchise, the city insisted, provides that the utility firm may ask the state commission to order rate changes only if city and company officials are unable to agree.

## Ohio

### To Vote on Ordinances

**C**OLUMBUS will vote on a 27 per cent cut in the residential electric rate and the continuation of its historic 5-cent trolley bus fare on November 8th.

The decision to place the two ordinances before the voters came at a special council meeting early this month. The electric rate ordinance was drawn by City Attorney Richard W. Gordon and the bus fare ordinance was presented to the council at a session held September 6th.

If approved, both ordinances would be-

come effective November 15th, but a legal fight against them was expected to be launched after the election by the Columbus & Southern Ohio Electric Company.

An objection to the power ordinance would be filed with the state public utilities commission and the fare issue would go before common pleas court. Both the ordinances cover a 5-year period and would replace the present contract which expires November 15th.

The power ordinance sets up: (1) a \$3.08 domestic rate for the first 100 kilo-

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watt hours per month, compared to \$4.20 at present; (2) a 5 per cent decrease in the commercial power rate; (3) a 1 per cent decrease in the industrial rate; (4) annual financial reports, including, specifically, income tax returns, from the Columbus & Southern Ohio Electric Company, with the contingent right of the city to inspect the company's books at any time.

The nickel ride, five tickets for 25 cents, a 6-cent cash fare, free transfers, and a 10-cent fare on "express" lines are continued in the fare ordinance.

### Conversion Restrictions Lifted

**T**HE state utilities commission recently lifted virtually all restrictions on conversion of heating units to natural gas. In an order declaring Ohio's gas companies have virtually solved the gas shortage, the commission ruled the companies, with two exceptions, are to furnish gas for heating to all who request it. The order would become effective when filed with the Secretary of State.

Exceptions are the Toledo Edison

Company, and the Ohio Gas Company of Bryan, Harold L. Mason, a member of the commission, said the two utilities "did not feel they had an ample supply of gas," to take on an unlimited number of new customers. A further hearing on the status of the two utilities was scheduled for November 15th.

In effect, the commission's latest edict said gas companies must supply gas for heating to all those who want it in the areas they serve.

If existing facilities are not adequate to supply the applicant, the company must notify the applicant to that effect, and correct the inadequacy "within a reasonable time." If the applicant does not hear from the gas company within fifteen days, he will be free to have a gas-heating unit installed.

Commission orders, restricting the number of new customers for gas heating that a utility could take on, have been in effect about two years. The new order, in effect, leaves the responsibility of taking on additional consumers up to the company.

## Pennsylvania

### Reorganization Plan Offered

**A** PLAN to reorganize the complicated structure of Pittsburgh's bankrupt traction system—the Pittsburgh Railways Company—came before the Securities and Exchange Commission for hearing early this month.

Philip A. Fleger, executive vice president of the Philadelphia Company, the parent company; Alfred B. Teton, special counsel for the parent company; and Samuel Fuss, representing Elmer E. Bauer, the bankruptcy trustee for Pitts-

burgh Railways, testified in favor of the plan. Mr. Teton termed the compromise "realistic." Mr. Fuss said it would "meet the standards of the Holding Company Act."

John M. Marshall, representing the city of Pittsburgh, said the city would take no definite stand in the proceedings at this time.

Pittsburgh Railways Company, a subsidiary of the Philadelphia Company, has been in the process of reorganization for eleven years.

## Rhode Island

### Bus Service Curtailed

**T**HE United Electric Railway, commencing September 10th, curtailed

service by approximately 6.5 per cent, it was learned recently.

The curtailment, according to Harold G. Morris, vice president and general

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manager, was made necessary by reduced riding resulting from "the present unfavorable business and employment conditions in the area."

Affected will be lines in greater Providence, Pawtucket, and Woonsocket. The cut represents a reduction in total daily miles operated from 49,086 to 45,632.

As a direct result of the economy move, a total of 56 operators were to be furloughed. An additional 30 will be fur-

loughed because of completion of vacations in one division.

Morris, in a letter to Thomas A. Kennelly, state public utility administrator, noted that "the service (is being) reduced in those periods of the day, such as early morning or late at night, where the riding is extremely light, and at other periods of the day where the riding checks of the company indicated that the changes could be made."

## Washington

### Mayor Suggests Power Plan

A PROPOSAL that Seattle and Tacoma buy generating plants of the Puget Sound Power & Light Company in the area and turn them over to public utility districts for operation was advanced recently by Mayor William F. Devin.

A conference in his office, attended by representatives of public power organizations, was called to discuss procedure to be adopted in any acquisition of the company's holdings.

The mayor said PUD representatives suggested their groups take over the generating plants and supply Seattle and Tacoma with energy at cost.

Seattle city officials, however, are loath to sell power unless the city owns the generating plants.

The mayor's suggestion was that Seattle acquire the company's Snoqualmie Falls and White River plants and that Tacoma buy the plant at Electron, south of Seattle.

## Wisconsin

### Higher Wages Held Doubtful

RURAL electric coöperatives are operating in "a marginal field" and cannot be expected to pay wages comparable to those offered by the large power companies, it was ruled recently by J. C. Fritschler, a Superior attorney.

Fritschler was appointed last July by the Wisconsin Employment Relations Board to arbitrate a dispute between the Eau Claire Electric Coöperative, Eau Claire, and Local 953 of the International Brotherhood of Electrical Workers (AFL). The union had asked for higher wages and a voice in determining workers' qualifications for promotion.

The results of Fritschler's arbitration will be binding for one year from the date they were filed. The arbitration was the first to be conducted under a new statute, passed at the recent legislative

session, which brought electric coöperatives under the state utility antistrike law.

In his decision, filed in circuit court at Eau Claire, Fritschler said that coöperatives were not profit making in nature and could not support a high wage structure.

"The coöperative society's main purpose is to furnish to rural consumers a means of raising the standards of living of its members with the aid of capital investment furnished at low cost by the government of the nation as part of its social plan. It is not an industry which can result in much financial profit to anyone," he said.

The union had asked increases of 41 cents an hour for foremen, 37 cents for linemen, and 1½ cents for unskilled labor. The increases granted by Fritschler averaged 5 cents an hour.



## Progress of Regulation

### Transit Company May Discontinue Branch Line Operated at a Loss

A RAILROAD company organized and conducted for profit but devoting its property to the use of the public does not do so irrevocably or absolutely but upon condition that the public will supply sufficient traffic on a reasonable rate basis to yield a fair return. Such was the statement of the court of appeals of Maryland in deciding that the Capital Transit Company might discontinue a single track shuttle line operated at a loss.

When operation can be conducted only at a loss, the court continued, the company may discontinue operation and salvage whatever it can out of the property by dismantling the road. To compel operation at a continued loss would amount to the taking of property without just

compensation, in violation of constitutional rights. The state cannot under the guise of the police power take private property for public use without compensation.

The court held further that a common carrier could not be compelled to carry on even a branch of its business in an unbusinesslike way with resulting loss unless necessary for the fulfillment of its corporate duties. If one branch of the service is unprofitable, said the court, it would be neither good business nor justice to compel the company to continue that branch merely because the loss could be offset by profit on the rest of the service. *Hessey et al. v. Capital Transit Co.* 66 A2d 787.



### Rate Increase between Meter Readings Improperly Based on Estimate

A NEW YORK city court ruled in favor of a gas customer who had been charged for gas on the basis of an estimate of consumption between the date of a rate increase and the next meter reading. Readings had been taken on December 23, 1948, and January 27, 1949. Increased rates went into effect on January 10th.

The fact that the claimant was a consumer and the company a gas corporation under the Public Service Law, said the court, did not obscure the relationship between them as essentially that of buyer and seller, nor that the transaction be-

tween them was the familiar one of a sale of goods.

Therefore, it was said, an overcharge resulting from ignorance, misapprehension, or mistake in quantity could be recovered. The company, it was said, had estimated the amount delivered after the rate increase by prorating without reference to any fixed rule or standard.

The terms of sale, including the price, were fixed by schedules on file with the commission. Under those schedules gas was to be measured through meters. Rates would apply to service supplied to the customer commencing "with the first

## PUBLIC UTILITIES FORTNIGHTLY

scheduled meter reading date on or after the effective date set forth" in the rate schedule. Revised schedules provided that the rates should "apply to all gas service supplied on and after the effective date hereof."

The court refused to interpret the amendment as expressly varying the schedule provisions.

Although rates are subject to regula-

tion by the commission, the court said that the rates were not being attacked but the purpose of the action by the consumer was to determine whether the company was charging for gas in violation of the terms of sale as established by filed schedules. Therefore the court rather than the commission claimed jurisdiction. *Cardone v. Consolidated Edison Co. of New York, Inc.* 89 NYS2d 845.



### Electric Rates Reduced to Meet Municipal Competition

THE Oregon commission authorized an electric company to reduce rates to the level of those offered by a competing municipal public utility district. It said that if the electric company failed to meet the rates of its competitor it would eventually lose most, if not all, of its customers.

This loss, the commission believed, would result in loss of investment, which, in turn, would adversely affect the customers in other territories. The reduced rates would bear the company's operating expenses in that area, with some revenue being available to apply against the company's general expense allocated to that territory.

Opposition to the rate reduction claimed that the reduced rates established discrimination between that area and other areas served by the company. The commission ruled, however, that there could be no discrimination created by the proposed rates and that no injustice would be done the other communities in which the electric company operates. It believed that duplication of service and

facilities by utilities is unsound and uneconomical, resulting in disadvantage to the consumer.

In this case there are now two utilities where formerly only one existed. There is not enough business to support both companies adequately. The commission found that since it had no control over the entry of the municipal district into competition with the privately owned and operated electric company, it should not stand in the position of preventing the private plant from meeting the competition in the only way available to it. That way was the reduction of rates to the level of the district's rates.

The commission did provide, however, that the loss of revenue sustained by the rate reduction in the competitive area could not be passed on to the company's customers in its other operating territories or permitted to become the burden of those customers. Any resulting loss must be borne by the company's stockholders. *Re Pacific Power & Light Co. (U-F-1447, PUC Oregon Order No. 22625).*



### Award of Call Premiums to Preferred Stockholders Upon Dissolution Reversed

THE Missouri Supreme Court reversed a judgment awarding call premiums to preferred stockholders upon dissolution of a subsidiary operating company sold to a city. A holding company had been ordered by the Securities and Exchange Commission to divest itself of ownership of the operating company to

effectuate compliance with the Holding Company Act. It sold the company to a city in order to comply with that order.

The city, in conformity with an ordinance, dissolved the company transferred to it and transferred the utility properties, to be owned and operated exclusively by the city. In connection with the dissolu-

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tion a final liquidating dividend of \$100 per share on the preferred stock was declared. An escrow fund was set up to pay premiums on the preferred stock if a court of competent jurisdiction ruled that the preferred stockholders were entitled to call premiums.

The stockholders claim that they had two separate causes of action entitling them to the call premiums: one, a Federal cause of action based on the Holding Company Act and the contract of sale, and the other, a state cause of action based upon the contract. The court held that whether the stockholders were entitled to call premiums upon dissolution of the company by the city did not present a Federal question controlled by the Holding Company Act. It also held that the fact that the holding company was able to comply with the divestment order by selling the company to the city, instead

of pursuing other permissible means of divestiture, did not bring the case within the act.

The contract of sale provided that there should be deducted from the purchase price an amount equal to the preferred stock then outstanding, together with the applicable additional call prices, unless prior thereto an order shall have been made by a competent authority permitting or requiring redemption of such securities without the payment of a premium.

The court held that this did not unconditionally require payment of the premium to the preferred stockholders in the absence of such an order. It believed that the parties to the contract merely attempted to protect themselves against any possible claim for call premiums. *Springfield Gas & E. Co. v. Graves et al.* 221 SW2d 197.



### Sewer Cost Allowed As Water

A WATER company purchasing its water from a municipality and then retailing it to the residences of a near-by community was permitted by the Montana commission to treat the municipality's sewer construction and operation charges as an operating expense.

The commission realized that the sewer

### Company's Operating Expense

expense had no real connection with the water rate but pointed out that when the municipality increased the price of water to help defray sewer costs, this required the allowance of this increased water cost as an operating expense. *Re Anaconda Copper Mining Co. (Docket No. 3715, Order No. 2081).*



### Natural Gas Rate Increase Approved for Application After Construction of Pipeline

THE Montana commission approved a natural gas rate increase more than fourteen months before the rates were to become effective. The company seeking the increase was experiencing a shortage of supply requiring curtailment of service to protect existing space-heating customers. Therefore, the company arranged to obtain an additional gas supply at a higher cost. Furthermore, to make the additional supply available the company was required to construct a pipeline.

The commission believed that the purchase of the new supply of natural gas

and the construction of the pipeline to transport it would benefit the company's customers and enable the company to offer improved service. It approved the rate increase to justify the financial soundness of construction of the pipeline and the purchase of gas at a higher cost. The commission recognized that the need of immediate action in financing and constructing the pipeline necessitated approval of the present rate increase even though the rates would not become effective until completion of the project.

Protestants objected generally to all

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evidence relating to future revenue, future construction, future plant values, and the fixing of rates on such testimony. These objections were overruled. The commission held that it may approve rates to be applicable after a specific future condition is completed, where lack of advance determination might adversely affect actual necessary construction. It did observe, however, that consideration of future construction is contrary to the general rule in rate making.

Numerous petitions in favor of the project, as well as numerous protests, were filed with the commission. While they were given due consideration, the commission stated that approval of rates is not a matter to be determined on the basis of the number in favor and the number against them. It held that the question should be decided on the factual question as to whether the proposed rates are just and reasonable.

One objection to the proposed increase

was that it was applied on the basis of the unit cost instead of upon a percentage basis. The commission ruled that a natural gas rate increase based on the average cost per MCF increases in direct proportion to the amount of use and is just and reasonable. It also rejected an objection that the increase was to be applied to all areas served by the company although the new gas would not be delivered to some of those points.

This system-wide application was deemed fair because the system is operated as a unit and advantages to one part are advantages to the whole system. Furthermore, if the new gas were not received, production costs in the existing field would greatly increase and such increase would be applicable to the whole system. Also the new gas supply would eliminate the need for restrictions existing on all parts of the system. *Re Montana-Dakota Utilities Co. (Docket No. 3727, Order No. 2094).*



### Additional Natural Gas Rate Increase Granted upon Rehearing

**T**HE Michigan commission, upon a rehearing of its order granting a natural gas rate increase, authorized an additional increase to enable the company to earn a return of 6.5 per cent on its original cost rate base. The original rate increase would have yielded such a return but facts and circumstances arising subsequent to the commission's order reduced it.

The application for the rehearing stated that the original order was based on conditions existing in 1948 and that subsequent to that hearing there was an increase in the property devoted by the company to natural gas service, a decrease in net revenue, and a general increase in wages, salaries, and other operating expenses. The commission held that simple justice required that evidence of changed conditions during the fifteen months which had elapsed between the filing of the original application and the conclusion of the rehearing should be considered. The additional increase granted upon rehearing simply gave the

company in fact what the original order attempted to give; namely, a return of 6.5 per cent.

The company claimed that the commission erred in finding the fair value of its property to be its original cost. This contention was rejected. The commission held that original cost is a fair measure of the present fair value of the company's plant, and that a rate of return of approximately 6½ per cent on that original cost is a fair and reasonable return.

Commission Chairman Stuart B. White dissented on the ground that consideration of facts and circumstances arising subsequent to the original hearing was tantamount to a new rate case. Therefore, he believed the commission had no legal power in this proceeding to grant the proposed relief. However, he did believe that if this case were properly before the commission upon due and proper notice, he would be persuaded of the justness and equity of the relief proposed to be granted. *Re Consumers Power Co. (D-2948-49.8).*

## PROGRESS OF REGULATION

### Commission Need Not Accept Uncontradicted Testimony

THE Missouri Supreme Court affirmed a commission order directing a local telephone company to continue toll connections with a national telephone company's long-distance lines and to divide toll revenues received therefrom according to the company's standard traffic agreement.

At the hearing before the commission the owner of the local company asserted that he was losing money on long-distance service and that his share of toll revenues under the traffic agreement was grossly inadequate for his needs. The evidence produced on his behalf attempting to justify a larger share of the division for him was uncontradicted by the national company.

On appeal counsel for the local company argued that the commission was compelled to accept his witnesses' figures and calculations since no evidence to refute them had been offered. The supreme court disagreed and pointed out that on cross-examination the evidence was so

discredited that the commission was well within its province in deciding that it was not entitled to credence.

The court found error in the commission's consideration of the reproduction cost and depreciation figures of seven other companies where such figures were not introduced in evidence at the hearing. The commission apparently included these figures in its consideration for the purpose of making a comparison with the figures presented by the company. This improper inclusion of the figures to rebut the company's expert testimony was not considered reversible error where his testimony was otherwise discredited.

In affirming the commission order the supreme court pointed out that a company alleging confiscation in the division of toll revenues has the burden of proof on such issue and must clearly establish it. This the local company failed to do. *State ex rel. Rice v. Public Service Commission et al.* 220 SW2d 61.



### Injunction Against Interference with Telephone Rate Increase Set Aside

THE supreme court of Rhode Island reversed a decree enjoining the public utility administrator from interfering with a telephone company's attempt to put into effect an immediate temporary rate increase. The court held that the company failed to exhaust the administrative remedy provided by statute for increasing rates. Also the company was held to have failed properly to initiate rate proceedings seeking temporary relief in that it did not file schedules setting forth the proposed rate changes.

The statute governing the fixing of public utility rates provides that every public utility shall file its rates with the administrator. It also provides that no change shall be made in the filed rates except after thirty days' notice. After receiving notice of a rate change the administrator is empowered to hold hearings and make an investigation as to the

propriety of the proposed rates. He may, however, in his discretion and for good cause shown, allow increases on less than statutory notice and without holding a hearing and investigation. The statute also empowers the administrator to permit a public utility to change existing rates on less than statutory notice when necessary to prevent injury to the business or public interest in case of any emergency to be judged by the administrator. The procedure established by this statute constitutes the exclusive remedy for persons aggrieved by any rate order or decision of the administrator.

In this case the company filed a proposed rate increase with the administrator. Before he conducted a hearing or an investigation the company moved for an immediate rate increase. The administrator ruled that he would hear the evidence with respect to the motion at the conclusion of the company's direct evi-

## PUBLIC UTILITIES FORTNIGHTLY

dence respecting its application for a permanent rate increase.

Despite the fact that the company appealed to an administrative board from the administrator's action, it simultaneously sought an injunction in the superior court to enjoin the administrator from interfering with the immediate rate increase. The company claimed that the administrator's action was confiscatory in that it would result in the taking of the company's private property for public use without just compensation, contrary to the statutes of Rhode Island.

The court noted that there was no allegation in the petition for an injunction that the company had ever filed with the administrator any rate schedule in support of its motion for immediate relief. It ruled that where an adequate statutory remedy is provided for obtaining a change in rates, that remedy must be exhausted before equity court will intervene, particularly where the statute, as

here, expressly makes the prescribed procedure the exclusive remedy.

The court held that the statute requiring the filing of any proposed change in rates applies not only to permanent rates but also to immediate temporary rates. The administrator's decision to hear the evidence on the motion for immediate relief at the conclusion of the company's direct evidence with respect to the permanent rates did not constitute an absolute denial of the motion, but was merely a ruling postponing the requested hearing for a relatively short time. Since the company did not see fit to wait for action on its motion, it was held not to have exhausted its administrative remedy. Furthermore, the court held that since the company failed to file temporary rates with the administrator, it failed to initiate the proceedings properly in accordance with statutory requirements. *New England Teleph. & Teleg. Co. v. Kennelly, Public Utility Administrator.*



### Basic Eleven-cent Fare for Street Railway Company Approved

THE Indiana commission approved an immediate emergency rate increase to be applied on streetcars, trackless trolleys, and motor coaches operated by a transit company. The initial fare on all of the vehicles was boosted from 10 cents to 11 cents. The commission found that on the basis of present operating conditions the company would suffer a loss unless rates were increased.

The commission, noting that several of the company's lines have been operated at a loss for a prolonged period, stated that continued operation of these lines at a loss, whether for historical or other reasons, is not in the best interests either of the public or the company. It said that it is the responsibility of efficient management constantly to exert its efforts to establish all operated lines on

a profitable basis consistent with the duty to render reasonably adequate service.

The commission believed that the management should submit a plan for the elimination or consolidation of nonprofitable lines to the end that the entire system might be placed upon an economic basis. It held, however, that the introduction and carrying out of such economies are primarily the responsibility of management with which a regulatory authority should not interfere except in unusual situations indicating an abuse of managerial discretion.

Evidence indicated that use of free transfer privileges was being abused. For this reason the commission ordered the elimination of the free transfers. *Re Indianapolis Railways, Inc. (No. 20973).*



### Bus Competition Denied When Existing Service Is Adequate

THE Maryland commission dismissed a complaint against bus service furnished by the Pennsylvania Greyhound

SEPT. 29, 1949

Lines between Baltimore and the District of Columbia line. It found that the service was adequate to meet the require-

## PROGRESS OF REGULATION

ments of the traveling public. The commission, in entertaining the complaint, held that there is a continuing responsibility on the part of the carrier to provide safe, adequate, and convenient service. It said that it was its purpose to see that this obligation was fully met. The commission believed that nothing in the record required it to direct the carrier to make any specific changes in, or additions to, its service or facilities.

Since existing local service was found to be adequate, the commission did not believe that there was any reason for it to enlarge the operating rights of an interstate bus company operating over the route used by the local company by allowing it to engage in intrastate service.

As a matter of fact, the commission said, even if it should have found that the existing local service was inadequate, the remedy would be to require the local company to put on such additional service as it might find necessary.

The commission believed that this procedure would be in keeping with the established policy, as construed and upheld by the Maryland courts, which requires that the carrier already in the field first be given the opportunity to supply any deficiency in the service found to exist before another carrier is allowed to enter into competition for the traffic. *Boulevard Bus Riders' Assn. v. Pennsylvania Greyhound Lines, Inc.* (Case No. 4990, Order No. 46374).



### Wage Award Important in Carrier's Rate Hearing

A JUDGMENT of the Washington Superior Court affirming a department of public utilities order regarding the establishment of proper rates for a carrier operating ferry boats and bus lines was reversed and set aside by the state supreme court.

The basis for the reversal of the lower court and commission decisions was the fact that no consideration was given to the report of a Federal labor arbitrator as to the carrier's wage structure.

All the parties to the rate hearing realized the importance of the findings of the labor arbitrator since the carrier's revenue requirements depended in a large degree on his decision as to the

proper level of wages to be paid company employees. At the hearing it was agreed that the record would be kept open until the arbitrator's decision had been obtained and an exhibit number was reserved for the actual report of the arbitrator.

The department handed down its final rate order on the same day that the Federal arbitrator filed his award without giving the carrier an opportunity to argue its meaning. The supreme court deemed this a denial to the carrier of due process of law and reversed the order on that ground. *State ex rel. Puget Sound Navigation Co. et al. v. Department of Transportation*, 206 P2d 456.



### Other Important Rulings

THE supreme court of Wisconsin held that the state commission has jurisdiction to require an intrastate interurban electric railway to restore abandoned interstate freight service where such action does not interfere with interstate commerce and the Federal government has not preëmpted the field. *Kenosha Motor Coach Lines, Inc. v. Public Service Commission et al.* 37 NW2d 78.

The Wisconsin commission, in authorizing a telephone company to increase rates, permitted the company to retain a 50-cent per quarter differential between rural metallic and grounded circuits. Such a differential was not considered discriminatory in view of the difference in service quality and the greater investment in the metallic circuits. *Re Prairie Farm* (2-U-2979).

## PUBLIC UTILITIES FORTNIGHTLY

A water company's claim for working capital was rejected by the New Jersey Department of Public Utilities when the sums of money collected for Federal income taxes not due for more than a year in the future would be more than sufficient to offset working capital requirements. *Re Hackensack Water Co.* (Decision No. 4264).

The supreme court of Washington, in reversing an order denying a bus company the right to operate in a certain area, held that the certificate authorizing the company to operate through a named city and the site of a certain dam entitled it to carry passengers to and from all towns which were, and now are, located near the dam area. *Northwest Greyhound Lines, Inc. v. Department of Transportation*, 207 P2d 903.

The Pennsylvania commission dismissed a complaint filed by the Lions

Club against a proposed water rate increase on the ground that the club was not a party in interest entitled to complain against the increase. The club was not a customer of the water company but its members were. It entered the complaint in behalf of its members. *Conyngham Valley Lions Club v. Conyngham Water Co.* (Complaint Docket No. 14687).

The Pennsylvania commission, in objecting to certain provisions in a municipal water department's proposed tariff, held that the meter rate should be the block type rather than the step type rate. It also held that the utility should provide all portions of the service lines between curb lines, including the curb cock and box, and should install and maintain the meters. *Public Utility Commission v. Morrisville Water Department* (Complaint Docket Nos. 14480, 14471).

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NEW YORK PUBLIC SERVICE COMMISSION

## Re Rochester Transit Corporation

Case 14244  
August 12, 1949

**P**ROCEEDING on motion of Commission as to cancellation of weekly passes and adult tokens proposed by transit company; weekly passes and tokens retained and price of pass increased.

*Rates, § 420 — Motor busses — Weekly pass.*

1. Retention of a weekly pass for bus rides, with a higher rate of fare, was required because of its apparent popularity and because of uncertainty in connection with passenger data and the revenue effect of any fare change under changing economic conditions in a metropolitan area, where a bus company required additional revenue, p. 137.

*Rates, § 420 — Motor busses — Weekly passes and tokens — Other companies.*

2. The fact that a transit company is the only company in the state that has a reduced-fare weekly pass as well as tokens, in addition to a cash fare, is not a sufficient reason for their elimination, p. 138.

*Rates, § 125 — Reasonableness — Ability to pay — Rising costs.*

3. The public should not be burdened by a rate structure so high that it becomes oppressive; the Commission cannot engage in endless and fruitless efforts to preserve the solvency of companies subject to its regulatory powers, in which course lies no solution for the pressing problem of obtaining more revenue, and if the tendency to increase operating costs continues uninterruptedly no act of the Commission can preserve either the regulated company or the public from serious injury, p. 138.

**APPEARANCES:** Sherman C. Ward, Acting Counsel (by Joseph J. Doran, Assistant Counsel), for the Public Service Commission; Van Schaick, Woods and Warner (by Howard M. Woods), Rochester, Attorneys for Rochester Transit Corporation; Gay H. Brown, Utica, Attorney for Rochester Transit Corporation; William H. Emerson, Corporation Counsel, Rochester, for the city of Rochester; Frank Van Lare, Rochester, Vice Mayor of the city of Rochester; Carroll M. Roberts, Rochester, Attorney for the town of Pittsford; F. W. Pugsley, Pittsford, Mayor of the village of Pittsford.

Charles B. Bechtold, Rochester, Attorney for the town of Gates; Elbert D. Finch, Gates, Supervisor of the town of Gates; William G. Easton, Rochester, Attorney for the town of Greece; Gordon A. Howe, Rochester, Supervisor of the town of Greece; William J. Stevens, Rochester, Deputy County Legal Advisor for the county of Monroe; Harry H. Servis, Rochester, Attorney for the village of Hilton; Emmett J. Schnepp, Rochester, Town Attorney for the town of Irondequoit; James C. O'Brien, Rochester, Attorney for the town of Brighton; John Francis

## NEW YORK PUBLIC SERVICE COMMISSION

Noonan, Rochester, Attorney for Monroe Democratic County Committee and Monroe County Democratic Women's Club; H. G. Gould, Rochester, Attorney for Division 282, Amalgamated Association of Street, Electric Railway & Motor Coach Employees of America.

**BEDENKAPP**, Commissioner: Rochester Transit Corporation (hereinafter at times referred to as R.T.C.) filed supplements to its present tariff schedules stating rates, fares, and charges to become effective April 10, 1949. The proposed supplements would cancel the present use of weekly passes and adult tokens and would institute a flat 10-cent fare for omnibus travel over R.T.C. routes. The Commission on its own motion set this proceeding for public hearing to determine the propriety of the rates, fares, and charges stated in the supplements<sup>1</sup> as filed by R.T.C. and suspended the use thereof to and including February 7, 1950, unless otherwise ordered.

Public hearing thereon was held in the city of Rochester on April 13, and May 11, 1949. Testimony was given by Leonard G. Toomey, treasurer and comptroller, Leon R. Brown, research engineer and assistant secretary, and by J. F. Uffert, president and general manager, on behalf of R.T.C. Some fourteen exhibits were received in evidence exclusive of reports filed with the Commission and data received by reference to another proceeding (Case 13280 [1948] 72 PUR NS 455).

<sup>1</sup> Supplement No. 17 to Tariff P.S.C.—N.Y.—No. 2, Supplement No. 14 to Tariffs P.S.C.—N. Y.—Nos. 3 and 4, Supplement No. 12 to Tariffs P.S.C.—N. Y.—Nos 7, 8, 9 and 10, Supplement No. 9 to Tariff P.S.C.—

R.T.C. operates 433.9 miles of bus routes in the city of Rochester and surrounding communities. Under a yearly agreement with the city of Rochester, it owns the equipment, and maintains and operates a subway (electric) railroad owned by the city which is 9.2 miles long and comprises 33.5 miles of track.

Financial statements and property accounts have been reviewed in detail for prior years up to and including June 30, 1948, in a prior proceeding (see memoranda dated January 21 and November 9, 1948, in Case 13280 *supra*). In that proceeding R. T. C. was granted two interim fare adjustments (effective February 8 and November 21, 1948) the latter of which will expire December 1, 1949.

Balance sheet statements as of December 31, 1948, and as of March 31, 1949, and income statements, including bus mile statistics, for the years 1947, 1948, and for the three months ended March 31, 1949, compared with the same period in 1948, as reported by R.T.C., appear on Tables 1 and 2 [omitted herein]. Other than for necessary comment on some items, no detailed analysis of financial statements nor of property accounts will be made herein.

### Balance Sheet Statements

In connection with balance sheet statements, it may be noted that the accounts "cash" and "temporary cash investments" include amounts (\$298,583.96 at December 31, 1948, and \$416,890.18 at March 31, 1949)

N. Y.—No. 13, Supplement No. 14 to Tariffs P.S.C.—N. Y.—Nos. B-38, B-39 and B-41 (Rochester Railways Coordinated Bus Lines, Inc. Series.)

## RE ROCHESTER TRANSIT CORP.

which under the terms of the existing indenture must be spent for additions, betterments, or replacements within one year after the close of the fiscal period or be deposited with the trustee for retirement of outstanding secured income notes.

Since the company was reorganized in 1939, dividends of 95 cents (1943), \$1 (1944-46 inclusive), and two dividends of 50 cents each were paid (1947) on its outstanding common capital stock having a stated value of \$254,297. No dividends were declared or paid during 1948 nor thus far in 1949.

The original cost of R.T.C. property was determined in 1938 (Case 9660) and subsequently brought up to June 30, 1948, in other proceedings (Case 10171, 10172, 13280 [1940] 36 PUR NS 161) by the Commission staff. At January 1, 1949, R.T.C. reported a book value of its omnibus property in service in the amount of \$2,693,492.08.

R.T.C. uses the unit plan of depreciation accounting for service cars and equipment and for revenue vehicles and the group plan for other items of omnibus property in service.

[Tables omitted.]

### Income Statements

Table 2 [omitted herein] indicates that the two interim bus fare increases granted in 1948 (the latter made effective November 21, 1948) were not sufficient to prevent a reported operating loss of \$160,444.32 for that year. Reported passenger revenues for the first three months of 1949 fell slightly below that reported for the same period in 1948 (by .07 per cent) in spite of the fact that the effect of both for-

mer interim fare increases was reflected in the 1949 data. During this same period in 1949, active bus miles decreased by 4.34 per cent, operation and maintenance expenses and total operating expenses decreased slightly (by .32 per cent and .50 per cent respectively) compared with the corresponding period in 1948, but the company still reported an operating loss (\$37,844.32), approximately \$8,000 less than the loss reported for the first quarter of 1948.

The increase in nonoperating income (\$43,967.90) in 1948 was due to the sale of subsidiary property and regarded by Mr. Leonard G. Toomey, treasurer and comptroller of R.T.C., as a nonrecurring item. Regulatory Commission expenses include expenses related to a prior proceeding (Case 13280, *supra*) as well as costs connected with the present proceeding, among other things.

It may be noted in passing that reported rail revenues decreased in 1948 and for the first quarter of 1949, while reported total rail operating expenses increased in both comparative periods, resulting in a reported rail operating loss of about \$53,600 in 1948 and of approximately \$19,400 for the first quarter of 1949. Some of this loss in revenue was attributed by Mr. Toomey to increasing unemployment in industries the line services and to the former method used by the R.T.C. in allocating weekly pass riders and related revenue prior to the registration of such riders by the company. Comparisons of operating results between quarters is further distorted by the fact that the effect of both prior interim fare increases is reflected in the results reported for the first quarter of

## NEW YORK PUBLIC SERVICE COMMISSION

1949. Mr. Toomey testified that one-man car operations had been instituted in March, 1949, resulting in a decrease in the number of employees used in rail operations.

### Revenues

Table 3 [omitted herein] following tabulates revenue passengers and passenger revenues by type of rider for 1948 and for the first quarter of 1949, separated between city and suburban zones. Except for the computation of percentages shown thereon the data is as reported by the company. The changing relationship between fare riders and the relative revenue produced by each type of rider is apparent from the top part of the tabulation related to the city zone. Of total riders, 63.1 per cent represented weekly pass riders in 1948, which fell to 42.3 per cent during the first quarter of 1949. The percentage of cash fare and adult token passengers increased during these periods. However, it may be noted that whereas weekly pass riders, cash fare, and adult token users produced approximately 49 per cent, 31 per cent, and 17 per cent respectively, of passenger revenues in 1948, they produced almost equally proportionate amounts of revenue during the first quarter of 1949 (31 per cent, 32.6 per cent, and 32 per cent, respectively).

The relationship between type of rider and relative revenue produced for the suburban and interurban zones remained fairly constant between the periods shown, as illustrated by the bottom half of Table 3 [omitted herein]. It may be noted that the results of a direct comparison between these periods must be tempered by the realization that 1949 reflects both interim fare increases, one of which became

effective November 21, 1948; that as of the latter date the special Sea Breeze rates were discontinued; and that the former shoppers' pass, used more heavily in the city zone, was discontinued as of February 8, 1948.

[Tables omitted.]

Comparing 1948 with 1947, active bus miles and mileage on chartered busses rented for special occasions decreased, while idle mileage, representing mileage from the time a bus leaves the garage until it hits the operating line, increased slightly. Active bus miles continued to decrease during the first quarter of 1949 due only in part to the extra day of leap year last February and to the Easter holiday falling in April in 1949 instead of in March as it did last year.

### Expenses

City license fees are paid on busses used in the regular operating schedule (\$200) and on those used as trippers (\$10). A breakdown of city license fees paid in 1948 (\$56,381) indicates that approximately 275 busses were used in regular operation. Mr. Leonard G. Toomey testified that there were 488 busses in operation today (compared with 525 a year ago) all of which, except for the 150 delivered between 1946-1947, were more than five years old. Other than this group of 150 (37-passenger) and some 40 (36-passenger) busses, the remainder are of smaller capacity, the present weighted average capacity of all R.T.C. busses being 32.5 seats. The company uses smaller busses in outlying districts, the larger type being employed on heavy traffic city lines. During rush hours, Mr. J. F. Uffert, president and general manager of R.T.C., testified that approximately

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431 busses are in service, of which an average of 155 are used during regular (off-peak) hours. He testified that the company would probably purchase busses of the larger capacity when able to do so; that larger busses might prove more economical on some of the company's lines, but that the use of larger capacity busses would result in increased headways and a longer wait between busses; the use of 44-passenger busses might prove expensive if they had to be run light after rush hours, and that it has been company policy thus far not to purchase maximum capacity busses if it were found that smaller busses would furnish the required service.

Mr. Toomey testified that the cost of gasoline had increased between 1942 and 1948 in terms of per cent of operating revenue and in cents per bus mile operated (from 6.39 per cent to 7.34 per cent and from 2.21 cents to 3.41 cents respectively) and that the price per gallon, exclusive of taxes, had increased from a low of 8.99 cents prior to November 1, 1946, to 13.95 cents prior to December 31, 1948, which increased further to 14.01 cents per gallon in April, 1949. In his opinion, based on the use of gasoline during the last two years, a one-cent increase in the price per gallon would cost R.T.C. about \$40,000 more on an annual basis. Mr. Toomey and Mr. Uffert both testified that the company was experimenting with Diesel fuel and results thus far indicated increased mileage at less cost than experienced under gasoline. He believed that new busses would be required if Diesel fuel were adopted since the adaptation thereof in present equipment would be too expensive; that the use of Diesel

fuel would not decrease labor cost, and that the fumes therefrom might prove to be a disadvantage in the city.

Mr. Toomey introduced an exhibit purporting to show that the ratio of operating payroll to operating revenue had increased from 42.05 per cent in 1942 to 58.10 per cent in 1948, that wage increases granted employees under contract during the two years and eleven months since April 30, 1946, had added \$1,071,722 to payroll costs, and that the maximum hourly rate paid to operators increased from 90 cents prior to October 11, 1945, to \$1.32 prior to May 1, 1948. He testified that the number of bus operators had not changed much since last year and that the increase in "drivers' wages and bonuses" (about \$17,400) during the first quarter of 1949 over 1948 reflected the wage increase made effective May 1, 1948, and the decreased mileage operated. Although the present wage contract expired April 30, 1949, and negotiations have been started in connection with new wage demands, no settlement had been reached at the time hearings closed in this proceeding. Due to the installation of a new shop, Mr. Toomey stated that as of May 1, 1949, there were approximately twenty-six less employees in the company's mechanical department.

Under present conditions, there exists no real way of determining whether or not a particular route trip is profitable since present fare boxes in use by R.T.C. are not adaptable for the recording of passengers by trips and checkers stationed along routes have no way of knowing the type of fare a passenger is going to pay when boarding a bus.

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### *1949 Projection*

Mr. Toomey estimated that approximately \$538,787 in additional annual revenue would be needed to eliminate the current deficit trend, to take care of the increased cost of gasoline, and to provide a 6 per cent return on the book value of operating property as of January 1, 1949.

To the reported operating loss incurred for the first quarter of 1949 (\$57,210—Table 2 [omitted herein]) he deducted a portion of the 1948 unemployment insurance credit applicable to this 3-month period (\$25,839) which he considered as nonrecurring for 1949 in view of present unemployment conditions, to obtain an adjusted operating loss for this period of \$83,049. The projection for a full year was made by dividing this amount by a factor (.2542239) representing the ratio of passenger revenue for the first three months of 1947 to the full year 1947, resulting in a projected operating loss for a year of \$326,677. To this he added a computation of the increased annual cost of gasoline based on the highest price (\$14.10 cents excluding tax) per gallon paid therefor (or \$10,491), and of the amount needed to provide a 6 per cent return on book value of operating property (\$2,715,948) as of January 1, 1949 (or \$162,957), and of amounts needed for applicable gross earnings (\$18,220) and for Federal income taxes (\$20,442) at effective tax rates, to obtain an estimate of \$538,787 as required additional annual revenue needed by R.T.C.

It may be noted that the reported operating loss (\$57,210) for the 3-month period in 1949 as used by Mr. Toomey in making his projection, in-

cludes a \$19,366 operating loss incurred in the rail operation of R.T.C., and that the book value of property used by him in computing the 6 per cent return includes the reported book value of operating rail property as of January 1, 1949, in the amount of \$22,455.48.

Further Mr. Toomey had no way of knowing what, if any, unemployment insurance credit applicable to 1949 will be granted to the company. He assumed that no credit would be forthcoming applicable to 1949 based on the present unemployment situation. It is obvious that if the company should receive any insurance credit, it would affect Mr. Toomey's estimate of required additional revenue.

Mr. Toomey's projection does not include any adjustment for any reduction in operating expenses which might result from any decrease in riding due to a fare change, if granted.

Although not considered in his estimated projected loss for 1949 due to pending unsettled negotiations, any increase that may be granted to employees will add to the company's present operating costs.

Questions were raised during this proceeding in connection with the reduction of bus stops close to each other and the possible rerouting of busses in an effort to reduce operating expenses. In this connection it may be noted that recommendations relating to those matters, among other things, were made in a current memorandum in another proceeding, involving the service provided by R.T.C. (Case 14299).

### *Proposed Fares*

R.T.C. now proposes to eliminate the weekly pass and adult tokens and

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to substitute in place thereof a straight 10-cent cash fare. The superseded fares would include the weekly pass, city (\$1.50), weekly pass, suburban (\$1.75), and adult tokens (6/50 cents) made effective as interim fares on November 21, 1948, to expire December 1, 1949 (Case 13280, *supra*). The basis for the proposed fare change is need for additional revenue to counteract the continuing and expected operating loss discussed hereinbefore and to provide a return on the book value of its property.

As noted hereinbefore, R.T.C. was granted two interim fare increases (made effective February 8 and November 21, 1948) as a result of a prior proceeding (Case 13280, *supra*). Mr. Leon R. Brown, research engineer and assistant secretary of the company, presented testimony purporting to estimate the productivity of the two fare increases and the estimated additional annual revenue that would result from the application of a straight 10-cent fare, from the elimination of the weekly pass assuming no other fare change, and from the elimination of adult tokens.

Mr. Brown estimated the productive effect of both prior fare increases based on 4-week periods before and after each increase became effective and, in general, by relating what he termed as the "effective" revenue increase to the "theoretical" revenue increase. He explained the "theoretical" increase as the increase in revenue that would occur after a fare increase if there were no changes in the number and type of riders or in economic conditions; the "actual" increase as the increase in revenue for a period after a fare change over a

similar period before such fare change; and the "effective" increase as the increase in revenue of a period subsequent to a fare change over what the revenue for that period would have been if there had been no fare change, the latter amount being determined by adjusting the revenue for the period before the increase by the percentage seasonal change occurring in the same period in the previous year.

As an illustration, revenue received during a 4-week period prior to November 21, 1947 (\$521,504), compared with revenue received during the 4-week period subsequent to November 21, 1948 (\$535,921), indicated a seasonal change of +2.76 per cent without any fare increase. In 1948, revenue received during a similar period before a fare change was \$544,410. Assuming no change in riding habits or in economic conditions, the theoretical revenue derived from this fare increase would have been \$604,304 (or 11 per cent greater than \$544,410). The actual revenue received during the 4-week period after the fare increase was \$571,911 (or 5.05 per cent greater than \$544,410). Considering the seasonal change factor (+2.76 per cent), the effective increase (5.05 per cent — 2.76 per cent) would be 2.3 per cent. The productivity thereof was derived by dividing the effective increase (2.3 per cent) by the theoretical increase (11 per cent), or determined as 20.9 per cent. This would mean that according to Mr. Brown's computations, the revenue effect of the November 21, 1948, fare increase was approximately one-fifth of what the theoretical increase would have amounted to. He described the use of the 4-week period before and after

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a fare increase as the customary period used in the industry generally in comparing a fare change.

By using similar computations, Mr. Brown estimated that the productivity of the February 8, 1948, fare increase amounted to 45.1 per cent. He explained the difference in productivity as dependent upon several factors; such as, local conditions, character of the people, money-spending habits, and competitive forms of transportation which are variable between cities, and upon the number of fare increases which have occurred previous to that being contemplated, each fare increase tending to reduce the productivity of the succeeding fare increase. He even stated that a point may be reached where a fare increase would produce no productivity or a negative productivity, he also considered as an important factor the effect of the contemplated fare increase on passenger riding habits and revenues. He stated that the first fare increase (February 8, 1948) affected a considerable portion of the company's revenue (shoppers' pass, token fares, weekly pass riders) resulting in high productive factor (45.1 per cent) whereas the second fare increase (November 21, 1948) affected only weekly pass riders and revenue, resulting in a lower (20.9 per cent) productivity.

### Ten-cent Fare

Using the method outlined hereinbefore, Mr. Brown estimated that the substitution of a straight 10-cent fare in place of present weekly passes and adult tokens would yield approximately \$507,860 in additional annual revenue. In his opinion, the productivity of this proposed fare change would not exceed 40 per cent based on the pro-

ductivity he computed for the previous two fare changes.

Mr. Brown's computation assumed that one-third of the weekly pass users are transfer riders and assumed about a 9 per cent reduction in riding due to such fare change. It may be noted that no consideration was given (aside from the seasonal change) in any of Mr. Brown's estimates or projections to the possible reduction of operating expenses due to reduced riding that might result from an increase in fare or from other causes, such as the continuing increased use of the private automobile and economic conditions.

### Weekly Pass

Assuming no other fare change and using the previously described method of computation, Mr. Brown estimated that the elimination of the present use of the weekly pass would increase annual revenues by some \$139,615.

Mr. Toomey testified that the use of a reduced fare in the form of a weekly pass was initiated in October, 1934, principally to stimulate and encourage regular riding, that the weekly pass has been retained in all of the company's tariffs and schedules continuously since that date, and that the use of the weekly pass had decreased greatly since the two prior interim fare increases had been granted. The company's position may be generalized by the description of the weekly pass as an unscientific and inefficient form of reduced fare, that it adds to present congestion at heavy traffic centers, that it may be economical to the user but is more expensive to the company, and that R.T.C. is the only company having a cash fare as well as two reduced fares with Rochester the only

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city in the state having a weekly pass for omnibus transportation.

Mr. W. H. Emerson, corporation counsel of the city of Rochester, took the position that the elimination of the weekly pass would be in defiance of public will; that the people of Rochester have become accustomed to the use of the pass; that it was convenient for passengers and perhaps more expensive per ride than the token fare; that the passenger counts upon which the company's estimates and projections are based are not very reliable; that it saves time for the company due to the elimination of constant change-making by the driver and that it reduces running time and the cost per passenger mile due to the expedited loading and unloading made possible by use of the pass. He claimed that the institution of the weekly pass saved R.T.C. from bankruptcy in 1934 and that the elimination of use of the shoppers' pass in effect prior to February 8, 1948, resulted in a loss of revenue to the company but offered no proof in connection therewith and stated his belief that regular patrons of R.T.C. were entitled to a reduced weekly rate of fare.

In this connection it may be noted that representatives of other municipalities joined with the city of Rochester in voicing opposition to the elimination of the weekly pass. Mr. Hyman G. Gould, representing R.T.C. employees, cited the company's need for additional revenue, that its employees were now bargaining for better wages, and stated that from the drivers' point of view the weekly pass encouraged joy riding.

[1] It is quite obvious that the elimination of the weekly pass would

result in additional revenue to the company, although perhaps not in the amount estimated. However, I would recommend the retention of the weekly pass at this time, with perhaps a higher rate of fare, due to its apparent popularity in the city of Rochester and its environs, and due to the uncertainty in connection with passenger data and the revenue effect of any fare change under present changing economic conditions in this area. The price of the city pass, initially one dollar for an unlimited number of rides during the specified week, is now \$1.50 (effective as of November 21, 1948). I would recommend a further increase to \$1.75. The price of the suburban weekly pass, initially \$1.25, is now \$1.75 for an unlimited number of rides in any one week. I would recommend that this price be raised to \$2.

### *Adult Tokens*

Assuming no other fare change and by applying the same methods as described hereinbefore, Mr. Brown estimated that the elimination of present adult token fares would produce approximately \$168,615 in additional annual revenues.

Except for a brief period (between January 1, 1939, and February 1, 1943, inclusive) adult token fares have been in effect since 1920 and were placed in effect primarily to encourage regular riding. The company offered no reason why adult token fares should be eliminated at this time except that such elimination would result in additional revenue needed by R.T.C. The position taken by the city of Rochester generally was that such token fares had been in effect for a long time, that the purchase of tokens was convenient to the public and resulted in a reduc-

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tion in time by drivers in making change.

Token fares were initially sold at 13 for one dollar and since November 21, 1948, at 6 for 50 cents. At that date, the use of tokens equivalent to a 10-cent cash fare was extended to the suburban lines (Case 13280, *supra*). For the same reasons mentioned hereinbefore in connection with the weekly pass, I recommend the retention of adult token fares at this time to be sold at the rate of 5 for 45 cents.

### *Discussion and Conclusions*

[2] The need for additional revenue by R.T.C. is apparent from the data in this record. However, the method proposed by the company to secure the needed revenue has not been justified. The fact that R.T.C. is the only company in this state that has a reduced-fare weekly pass as well as tokens in addition to a cash fare is not a sufficient reason for their elimination. The record indicates that prior increases in the price of weekly passes resulted in reduced purchases of this form of transportation, with a substantial increase in the number of cash and adult token fares sold. Undoubtedly, any additional increase may result in a further decline in the number of riders using the weekly pass, but to what extent is unknown. The estimates and projections presented by the company are based in large part on the number of rides per pass and the estimate that one-third of pass users are transfer riders has been attacked as doubtful, although no other proof has been submitted as to the proportion of such riders actually using transfer privileges. It is freely

admitted that such estimates are subject to a margin of error and that they are in large part a matter of judgment, dependent upon a great many factors beyond the control of the company. The changing economic conditions in the Rochester area, the possible effect on operations and income of the recommendations made in other current memoranda in connection with service (Case 14299) and rezoning of suburban and interurban lines (Case 13280, *supra*), and the uncertainty of present statistics tend to foreclose any attempt at this time to come to a definite conclusion as to what permanent rates should be charged by R.T.C., nor can any estimate be made of any real value as to what effect any recommended change in present fares would have on the company's financial position. Experience can and must be the determining factor as to what final rates will provide the revenues needed by the company in order to maintain a high standard of service to the communities it serves at a reasonable cost.

Increased rates have been granted by this Commission where needed. We have also seen the additional revenue so obtained reduced or completely eliminated by increased operating costs. It is not possible to completely satisfy both the public and the regulated companies, and the task of fixing rates during periods of changing economic conditions is not an enviable one.

[3] This is the proper occasion therefore to sound a general warning with respect thereto. The ultimate purpose of rate increases is to enable utilities to continue to render adequate service. No utility can exist long or serve well, if starved. By the same

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token, that purpose is thwarted if continuously mounting operating expenses absorb all benefits to be anticipated from rate relief. It is time to make perfectly clear that this Commission cannot engage in endless and fruitless efforts to preserve the solvency of companies subject to its regulatory powers. In that course lies no solution for this pressing problem because the public should not be burdened by a rate structure so high that it becomes oppressive. If the tendency to increase operating costs continues uninterruptedly, no act of this Commission can preserve either the regulated company or the public from serious injury.

This particular company has made an effort to reduce operating expenses, the staff of the Commission has examined its books and records, it needs additional revenue and has proposed a means of obtaining it. Whether or not the recommended rates will produce the revenue required will be shown by experience thereunder.

It may be noted in passing that the corporation counsel for the city of Rochester questioned this Commis-

sion's jurisdiction in this proceeding. Under date of May 4, 1949, 275 App Div 172, 80 PUR NS —, 89 NYS2d 545, the appellate division of the supreme court unanimously affirmed the decision (July 6, 1948) of the lower court, 192 Misc 33, 77 PUR NS 405, 83 NYS2d 436, upholding this Commission's right to fix rates charged for street transportation in the city of Rochester.

### *Recommendations*

I recommend that the company be directed to cancel the supplements which are now under suspension and that the company be advised that if it should file a proper tariff to increase upon statutory notice the price of the present city weekly pass to \$1.75; to increase the price of the present suburban weekly pass to \$2; and to institute a charge for adult tokens at the rate of 5 for 45 cents, said tariff to bear an expiration date of December 1, 1949, this Commission will consider the adoption of a special permission order authorizing an earlier effective date.

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## MASSACHUSETTS DEPARTMENT OF PUBLIC UTILITIES

## Re Springfield Street Railway Company

D.P.U. 8556  
July 29, 1949

**I**NVESTIGATION on motion of Department as to propriety of bus rates of local transit company; increased fares authorized.

*Expenses, § 131 — Bus company — Cost of uniforms.*

1. One-half of the cost of uniforms should be deducted in allowing operating expenses of a bus company for rate purposes when the total amount claimed would purchase a supply for two years, p. 143.

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### *Expenses, § 131 — Bus company — Cost of tokens.*

2. An item of expense for bus tokens was reduced to one-fifth of that amount, in determining operating expenses of a bus company for rate purposes, where the supply should last for at least five years, p. 143.

### *Expenses, § 70 — Maintenance costs and salvage on retired busses.*

3. Contentions by a city that maintenance costs or salvage on retired busses should be reduced were rejected in view of increased maintenance on the balance of equipment and increased expense for depreciation on new equipment and because salvage would be more than offset by increased cost of any new equipment, p. 143.

### *Expenses, § 35 — Loss on abandoned street railway properties — Amortization by bus company.*

4. A transit company which has substituted bus service for street railway service and has amortized most of the loss on abandoned street railway properties should not be allowed as an operating expense, in a bus rate proceeding, a portion of the unamortized balance of loss where the company has realized savings in income taxes on its abandonment program largely in excess of such amount, which savings were apparently first placed in reserves for taxes and later transferred to earned surplus, p. 143.

### *Return, § 99 — Motor bus company.*

5. A transit company was allowed increased bus fares which would give a return on funds prudently invested of almost 9 per cent and on capital stock of 6.75 per cent, it being noted that the falling off in traffic might exceed the amount estimated, and it being further noted that when a pending capital investment should be completed the income would amount to a return of less than 7.3 per cent, p. 144.

### *Accounting, § 7.1 — Reserve for contingencies — Transfer to capital improvements.*

6. A transit company having a reserve for contingencies built up from various sources but intending to use these funds for necessary capital improvements was required to transfer the amount of the reserve to a new account termed "Reserve for Capital Improvements," p. 145.

(CARROLL, Commissioner, dissents.)

**APPEARANCES:** Honorable Joseph B. Ely and Raymond T. King, for Springfield Street Railway Company; Charles D. Sloan, City Solicitor, for city of Springfield; Raymond J. Rosa, for West Springfield Chamber of Commerce.

**By the DEPARTMENT:** Springfield Street Railway Company filed a new tariff, denominated M.D.P.U. A-123, and Supplement No. 1 to M.D.P.U. A-100, applicable to all of its service on February 12, 1949, stated to be

effective March 20, 1949. The application of the proposed tariffs was suspended by order of the Department on February 15, 1949, until January 20, 1950, unless otherwise ordered, and the Department entered upon an investigation on its own motion of such proposals.

The proponent was organized in 1868 as an electric street railway. Between 1938 and June 22, 1940, its street railway operations were gradually discontinued and all of its certified

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routes have since 1940 been served by passenger busses. It serves the cities of Springfield and Chicopee and the towns of West Springfield, Longmeadow, East Longmeadow, and Agawam with extensions to Holyoke, Westfield, Ludlow, and Palmer. As of December 31, 1948, it owned a total of 229 busses which had operated a total of 6,439,893 regular route bus miles in 1948. During the year it car-

ried 41,690,266 riders over these routes at an average fare of 7.725 cents and received a combined average revenue per bus mile of 50.881 cents. Its average fare in 1948 was almost identical with that in 1941 and its revenue per bus mile in 1948, while about 43 per cent above 1941, is actually over 10 per cent below 1943.

A comparison of the present and proposed fares is as follows:

Kind of Fare	Present Fares	Proposed Fares	Per Cent Increase
Token fare each zone .....	8½¢ (3/25¢)	11¢ (5/55¢)	32
Cash fare each zone .....	10¢	13¢	30
Pupil fare each zone .....	4 1/10¢ (10/41¢)	5¢ cash	21.95
Children ages 5 to 14, each zone .....	5¢ ticket	5¢ cash	—
Multiple zone tickets:			
Reduced rate 1½ zones .....	10¢ (10/\$1.00)	13½¢ (6/80¢)	33½
Reduced rate 2 zones .....	12½¢ (8/\$1.00)	16½¢ (6/\$1.00)	33½
Riverside Park round trip .....	25¢	35¢	40
Springfield-Westfield one way .....	25¢	30¢	20
Springfield-Palmer one way .....	50¢ *	60¢ *	20
Springfield-Palmer round trip .....	70¢ *	90¢ *	28.57
Springfield-Westover Field one way ..	20¢	No through ticket	50

\* Exclusive of Federal tax.

It appears that the over-all proposed increase amounts to about 30.38 per cent. No changes in zones or transfer privileges is contemplated.

The company testified that it expected a "normal" diminution of traffic, i. e., a diminution not due to any fare increase, of 5 per cent for 1949 as compared with 1948. This estimate the city of Springfield seriously doubted and it urges that we should use the same figure, at the most, as the decrease in 1948 as compared with 1947, to wit, about 2.5 per cent. As was pointed out in Lowell Gas Co. v. Department of Public Utilities (1949) — Mass —, 78 PUR NS 506, 84 NE 2d 811, "A determination of rates is necessarily made in large part upon a view taken through the dim lenses of prophecy." But in taking this view,

we cannot close our eyes to realities. There is a marked tendency, country-wide, for bus passenger traffic, particularly intraurban traffic to decrease from the wartime peaks as the backlog of private automobile orders is diminished. This general decrease is at an accelerated, not decelerated pace. The extreme severe winter of 1947-1948 was responsible for the relatively light decrease last year, but the equally unusually mild weather of this past winter has emphasized this trend, when monthly figures are compared. For this reason, we accept respondent's estimate of 5 per cent. This conclusion is reinforced by the figures for April, May, and June, 1949, available since the hearing, which completes the following picture of decline in revenue patronage:

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Month	1947	1948	% Decrease	1949	% Decrease
Jan.	\$292,457	\$290,293	.74	\$262,131	9.70
Feb.	260,125	269,316	3.53*	236,863	12.05
Mar.	285,580	294,084	2.98*	261,503	11.08
Apr.	277,847	271,411	2.32	254,087	6.38
May	282,050	267,868	5.03	242,930	9.31
June	264,900	259,592	2.00	233,358	10.10
July	250,113	244,831	2.11		
Aug.	254,505	240,898	5.35		
Sept.	271,066	261,031	3.70		
Oct.	282,857	266,926	5.63		
Nov.	269,096	259,472	3.58		
Dec.	293,972	279,971	4.76		

\* Increase.

It was further estimated by the company's witness Curtin that a revenue loss of 9.72 per cent would result from the increased fares. This is a median percentage arrived at by application of a formula based on substantial data corrected for irrelevant factors. The formula from which this figure is derived has been applied in at least one case in Massachusetts, where it came extremely close to absolute accuracy. In view of these facts and in view of the apparently optimistic estimate of "normal" traffic loss used by the company, we are forced to find that the proposed rates would, as respondent contends, result in a 9.72 per cent decrease in traffic.

The respondent showed gross operating revenues for 1948 of \$3,273,859. Its net after taxes showed a red figure of \$136,874. On the basis of present fares, it forecast a loss for 1949 of \$498,492. Unless the items of revenue or expense used in this estimate are erroneous or must for some reason be modified by us, it is obvious that respondent must be allowed a substantial increase in revenue.

The passenger bus business in general, and respondent's business in particular, have had a history of recent years which is full of explosive possi-

bilities for the near future. The respondent's average annual passenger revenue for 1936 to 1939 was \$1,583,309. With the institution of gasoline rationing and wartime cessation of passenger automobile manufacture, the revenue increased to a peak in 1945 of \$3,436,476, 217 per cent of the pre-war average. With the removal of wartime restrictions, this figure declined in 1946 to 216.8 per cent, in 1947 to 207.4 per cent, and in 1948 to 202.5 per cent. Using 1936-1939 as a base, its total payrolls have increased to 228.8 per cent in 1947 and 252.1 per cent in 1948, and its total operating expenses have risen to 217 per cent in 1947 and 232.3 per cent in 1948. There is no reason to expect that the decline we have noted in revenue passengers is going to stop very far short of prewar levels, except for relatively minor adjustments for population increase and increased riding habits. On the other hand, the possibilities for commensurate economies seem to be limited. For example, respondent operated an average of 5,305,141 bus miles in 1936-1939, and only 6,501,099 in 1948, an increase of only 22.5 per cent. The picture which faces respondent and all other motor carriers

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is one of greatly increased and largely immobile operating expenses on the one hand, and of rapidly decreasing gross revenues which there seems to be no way to increase on the other. Mere rate increases are not going to meet this problem permanently, since the net will very soon be endangered thereafter by further declines in patronage, which declines are themselves stimulated by the increases. We feel that we must make sure that the respondent in particular and all the bus companies in Massachusetts in general are aware of this situation and are laying what plans they can for a long term and reasonable solution of the problem.

[1-3] The city of Springfield has argued forcibly that certain expenses used by respondent in its estimates are unreasonable and should not be allowed in the amount stated. Some of these contentions have substantial merit. From the respondent's estimated operating expenses for 1949 of \$3,596,692, we agree should be deducted \$13,200 or one-half of cost of uniforms, since it is admitted that the total amount would purchase a supply for two years. So, also, the item of \$7,800 for tokens must be reduced to \$1,560, since this supply should last for at least five years. We do not agree with the contentions of the city regarding maintenance costs or salvage on retired busses, the former because of increased maintenance on the balance of equipment and also because of increased expense for depreciation on new equipment, and the second because such salvage will be more than offset by increased cost of any new equipment. See Re Rapid Transit, D.P.U. 8345.

[4] The city also argues that the respondent should not be permitted to charge against expense an item of \$290,058 representing a portion of the unamortized balance of loss on abandoned street railway properties. There is a total of \$776,624 remaining out of an original amortizable loss of \$2,900,-582. Under our earlier orders relating to respondent issued pursuant to Chapter 373 of the Special Acts of 1917, it has heretofore included as an expense a total, therefore, of \$2,123,-958. We agree with the city. There is no direction in the Special Acts, *supra*, that such amortization is to be necessarily allowed as an operating expense in connection with an application for increased rates.

Respondent has realized savings in income taxes on its abandonment program amounting to \$1,137,000, which amounts were apparently first placed in reserves for taxes and later transferred to earned surplus. The respondent is in good financial condition, due to these accretions and other financial transactions, and we are of the opinion that, for rate-making purposes, this item of \$290,058 is to be disallowed as an operating expense. For accounting purposes, respondent may continue to amortize by charges to surplus the balance remaining, or it may charge it at once, to surplus. In either case, its net earnings from now on are to be computed without reference to this deduction.

After making the foregoing corrections in respondent's estimated operating expenses there remains a final estimate for 1949 of \$3,287,194. Under existing rates, allowing for "normal" diminution of traffic, it would show

## MASSACHUSETTS DEPARTMENT OF PUBLIC UTILITIES

for 1949 an estimated gross revenue of \$3,103,574, or \$183,620 less than its expenses. Under the proposed rates, it would have estimated operating revenues of \$3,642,868, after the adjustments which we have previously discussed. This would leave respondent with a net income before income taxes of \$355,674, or a net transferable to profit and loss of about \$217,186. Respondent would have under such rates an operating ratio before taxes of 90.2. It shows carrier operating property in the amount of \$3,264,308, subject to a depreciation reserve of \$1,881,-044, or a net operating plant of \$1,383,264. We find that respondent has prudently invested in property devoted to the public service the amount of \$1,383,264. Net earnings before interest of \$232,800 resulting from application of the proposed rates would represent a return on this investment of over 16.8 per cent. On outstanding capital stock of \$2,000,-000, net income transferable to profit and loss on the same basis of \$217,-186 would result in a return of 10.85 per cent.

These figures indicate that, in order to realize a fair return on its prudent investment, respondent does not require additional revenue in the amount sought to be earned under the proposed rates. We believe that, with the substantial reduction in traffic indicated by the decreased gross revenues and with the further reduction that will admittedly take place by reason of any increased fares, there should result an opportunity for some savings in operating costs. We believe that respondent should give serious study to possible other operating econ-

omies which might reduce such expenses without public inconvenience. If the token fare is set at 10 cents per zone, and the cash fares at 12 cents, it seems to us that the resulting 20 per cent increase in each of these fares is more in line with the exigencies of the situation than is the company's proposal. We further believe that the increase of 40 per cent in round trip fares to Riverside Park is excessive, and that such tickets should be sold at 30 cents. This would give an over-all increase in gross revenues, before adjustments, of 21.5 per cent.

[5] If these changes are made in respondent's rate schedules, our estimates indicate that respondent would have net-estimated operating revenues for 1949 of \$3,503,542, after adjustments, leaving a net income transferable to profit and loss after taxes of \$134,135. This would give a return on funds prudently invested of almost 9 per cent and on capital stock of 6.75 per cent. We find that these rates of return are ample for the present under the rules in the Hope Natural Gas Case (1944) 320 US 591, 88 L ed 333, 51 PUR NS 193, 64 S Ct 281.

It must be kept in mind, in considering these figures, that the respondent's current revenues indicate a falling off in traffic in the order of 10 per cent, and that the foregoing earnings are computed on a loss of only 5 per cent. A one per cent additional loss in gross revenue means a loss of \$35,000, less taxes, in respondent's net profits. It may well be, therefore, that respondent will not fare nearly so well under the increased rates as it has estimated. Furthermore, as

## RE SPRINGFIELD STREET R. CO.

later pointed out, funds are being earmarked on respondent's balance sheet for a new garage in the amount of \$500,000. When this capital investment is completed, respondent's plant account will be increased to \$1,883,-264, on which the income computed under this order would amount to a return of less than 7.3 per cent.

There were protests filed by many residents of West Springfield as to the effect of the zone system in the outlying sections of that community. To adjust this situation at this time might mean a serious diminution in revenues of the respondent company at a time when its earnings statement clearly indicates the imperative necessity for additional income. There was no proposal introduced by the company to meet these protests, and comparatively little concrete evidence to support them. We believe that the people in this area deserve to have made a thorough study of their problems, including the possibility of introducing half-zone limits into the town, and a possible revamping of the zone limits. We will order such a study to be made and a report thereon returned to the Department.

[6] Respondent has a reserve for contingencies built up from various sources in the amount of \$500,000. There was testimony at the hearing that it intended to use these funds for necessary capital improvements.

We have no objection to this procedure. On the other hand, we believe these funds should be earmarked for such purpose, rather than to be kept as a reserve for contingencies which do not exist.

Accordingly, after due notice, public

hearings, and consideration, it is hereby

*Ordered:* That M.D.P.U. A-123 of Springfield Street Railway Company filed February 14, 1949, to be effective March 20, 1949, is hereby disapproved; and it is *further*

*Ordered:* That Springfield Street Railway Company file with the Department to be effective August 14, 1949, a new schedule of rates and charges denominated M.D.P.U. A-124 which shall be identical with the schedule herein disapproved except

(1) That the rates for basic fares in each fare zone, all divisions, shall provide: "One metal token in each fare zone. Tokens sold at the rate of five for 50 cents. Or if tokens are not used, 12 cents cash in each fare zone."

(2) That between any point on Zone "A" and Riverside Park, Agawam, round-trip tickets shall be charged for at 30 cents, with transfer privileges; and it is *further*

*Ordered:* That Supplement No. 1 to M.D.P.U. A-100 of Springfield Street Railway Company be approved effective August 14, 1949; and it is *further*

*Ordered:* That Springfield Street Railway Company submit to the Department on or before January 1, 1950, a study of the transportation facilities in West Springfield together with recommendations regarding the establishment of half zones and for revision of the existing fare zones; and it is *further*

*Ordered:* That Springfield Street Railway forthwith transfer the amount of \$500,000 new carried on its books as Reserve for Contingencies to a new account termed Reserve for Capital Improvements, and shall not further

## MASSACHUSETTS DEPARTMENT OF PUBLIC UTILITIES

transfer such funds without specific order of this Department; and it is further

*Ordered:* That the investigation in D.P.U. 8556 be and the same is hereby terminated, subject to being re-opened upon receipt of the said West Springfield study, upon notice to all parties appearing.

CARROLL, Commissioner, dissenting: If the decision and order of the Commission relative to the respondent be modified to provide for a straight 10-cent cash fare instead of 10-cent tokens and a 12-cent cash fare, the probable net earnings of the company after income taxes would be \$93,725 as calculated upon the basis of computations submitted by the accounting di-

vision of the Department. This calculation is based on the 1948 traffic count shown in the exhibits of the company and is adjusted for a normal 5-per cent reduction in riders and by the formula used by the company's witness, Curtin, and provides for further reduction in riders due to fare increases.

A 10-cent cash fare would indicate a net income of \$109,335 before interest. This amount is 7.9 per cent of \$1,383,264 which the company has "prudently invested in property devoted to the public service."

I am not unmindful of the infirmities involved in forecasts and estimates; however, it is my opinion that this would constitute a fair and adequate return.

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### NEW JERSEY SUPERIOR COURT, APPELLATE DIVISION

## South Orange Avenue Independent Bus Owners Association et al.

v.

## Board of Public Utility Commissioners et al.

Nos. A-53, A-91  
— NJL —, 66 A2d 627  
June 16, 1949

**A**PPEAL from Commission order approving substitution of auto busses in place of trolley busses; affirmed.

*Service, § 215 — Substitution of auto busses — Municipal approval.*

- Under a statute providing that whenever the Commission has approved the substitution of trolley busses on any line of street railway, or part thereof, the company may, with the Commission's approval, utilize in lieu

## SOUTH ORANGE AVENUE IND. BUS OWN. ASSO. v. BOARD

of such vehicles auto busses, no approval of the municipality to this latter substitution is necessary, p. 147.

*Constitutional law, § 21 — Equal protection — Substitution of auto busses on streetcar line.*

2. A statute providing that whenever the Commission has approved the substitution of trolley busses on any street railway line the company may with the approval of such Commission utilize auto busses in lieu of trolley busses, does not deprive persons who operate busses in competition with the street railway of equal protection of the law because such persons must obtain the approval of the municipality whereas the street railway does not, since the street railway was required to obtain approval of the municipality as well as the owners of one-half of the property along the proposed street railway line when it originally made application for its franchise, p. 148.

*Appeal and review, § 80 — Parties — Trolley line competitors — Bus substitution order.*

3. Persons who own and operate busses in competition with a street railway company are adversely affected by a Commission order permitting the substitution of auto busses for trolley busses and are entitled to appeal from such order, p. 149.

**APPEARANCES:** Thomas L. Hanson and Meyer Q. Kessel, Newark (Paul J. O'Neill, Newark, attorney), for appellants; William H. Speer, Jersey City (Winslow B. Ingham, II, Newark, on the brief), for Public Service Coordinated Transport.

The opinion of the court was delivered by

**BIGELOW, J., A. D.:** The main question presented by these two appeals is: Does our law require a street railway company which has substituted trolley busses for trolley cars, to obtain municipal consents before making the further substitution of auto busses in place of the trolley busses? The respondent, Public Service Coordinated Transport, has obtained the approval of the Board of Public Utility Commissioners for the use of auto busses in lieu of trolley busses on two lines where formerly it operated trolley cars; but it has not procured the consent of the municipal authorities for the operation of the auto busses. The

respondent relies on P.L.1946, Chap 71, NJSA 48:15-41, which amended R.S. 48:15-41 by adding thereto the following paragraph: ". . . Whenever the Board of Public Utility Commissioners has approved . . . the substitution of vehicles of the character described herein (trolley busses) on any line (of street railway) or part thereof, the company operating any such line may, from time to time, with the approval of the Board of Public Utility Commissioners, utilize in lieu of such vehicles, auto busses in the operation of any such line, or part thereof."

[1] The express requirement that the Public Utility Commissioners give their approval before auto busses can be used in lieu of trolley busses tends to negative the necessity for securing permission from any other governmental body, such as the Board having control of the streets in the municipality. *Paul v. Gloucester County* (1888) 50 NJL 585, 15 Atl 272, 1 LRA 86. On the other hand, many

## NEW JERSEY SUPERIOR COURT

provisions in our statutes point the other way. The Traction Company Act of 1893 which authorizes the use of "motors, cables, electrical, or other devices and appliances" for the traction of the cars, permits a change from one kind of motive power to another only with the consent of the proper municipal authorities. P.L.1893, Chap 172, P.L.1896, Chap 192, R.S. 48:15-10 (IV), 35 and 36, N.J.S.A. The Kates Act, adopted in 1916, forbids the operation of an auto bus without consent of the body having control of the streets in the municipality. P.L.1916, Chap 136, R.S. 48:4-3, N.J.S.A. An amendment added to the Home Rule Act in 1918 gives municipalities broad power to license and regulate busses. R.S. 40:52-1, N.J.S.A. In 1925, street railway companies were given the right to own and operate auto busses upon obtaining municipal consents such as are required by the Kates Act, and the approval of the Public Utility Commission. P.L.1925, Chap 244, R.S. 48:15-37, N.J.S.A. Three years later such companies were permitted to substitute auto busses for street railway service but again they were required to obtain municipal consent for the bus operation. P.L.1928, Chap 52, R.S. 48:15-38, N.J.S.A.

About this time there was being developed the trolley bus, a vehicle not running on a track, that can be powered both by electricity received from an overhead wire and by a motor or engine in the bus. Street railway companies were authorized by P.L.1934, Chap 124, R.S. 48:15-41, N.J.S.A., upon receiving the approval of the Public Utility Commissioners, to substitute trolley busses for trolley cars. The

statute may be said to mark a change in legislative policy, for it does not require municipal consent. It is the 1946 amendment to this statute that authorizes the substitution of ordinary auto busses for trolley busses. During the past thirty years, auto busses have been winning an ever larger place in the transportation field. They have proved their superiority to street-cars and even to trackless trolleys. We may readily understand why the legislature would facilitate the transition to auto busses—from vehicles dependent on a distant powerhouse and expensive transmission lines, to vehicles carrying their own power plant. We are satisfied that the legislature, when enacting the 1946 amendment, intended that the operation of auto busses in substitution for trolley busses should not be subject to the approval of the municipal authorities.

[2] The appellants, who own and operate busses in competition with respondent, argue that the statute, at least as applied in this case, violates both the Constitution of New Jersey and the Constitution of the United States, in that it deprives appellants of the equal protection of the law. The essence of their argument is that the statute permits the respondent to operate auto busses without obtaining municipal consents while it forbids appellants to do so. But the respondent, in order to establish its streetcar line in the first place, had to obtain approval of both the governing body of each municipality through which the line ran and of the boards or bodies having control of the streets, and it had to secure the consent of the owners of one-half the property along the proposed street railway line. These con-

SOUTH ORANGE AVENUE IND. BUS OWN. ASSO. v. BOARD

ditions were far more onerous than those that appellants had to meet. Now the respondent is permitted to substitute auto busses for the trolley busses just as the appellants may substitute new busses for old, without securing another municipal consent. The statute does not violate any constitutional right of the appellants.

[3] The respondent questions the standing of the appellants relying on such cases as Public Service R. Co. v. Reinhardt (1921) 92 NJ Eq 365,

112 Atl 850; (1921) 93 NJ Eq 461, 115 Atl 747, 119 Atl 878. In short, we have concluded that the appellants are within the scope of R.S. 48:4-11, NJSA, which provides: "Proceedings to prevent a person from operating an auto bus without a valid municipal consent may be instituted by any public utility, the business or revenues of which are adversely affected thereby."

The decisions of the Board of Public Utility Commissioners are affirmed.

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UNITED STATES DISTRICT COURT, DISTRICT OF COLUMBIA

Nola Andrews

v.

Chesapeake & Potomac Telephone  
Company et al.

Civil Action No. 1345-49  
83 F Supp 966  
May 9, 1949

MOTION for preliminary injunction in action by telephone subscriber to restrain telephone company from discontinuing service; motion denied in respect to United States attorney and continued as to utility.

Constitutional law, § 1 — Rights — Persons of bad character.

1. The fact that a person seeking the protection of the Constitution is himself a person of bad character does not diminish his constitutional and legal rights, p. 151.

Discrimination, § 199 — Obligation to serve — Character of patron.

2. A public utility must serve all members of the public without discrimination or distinction, and the fact that a person may be of bad character does not deprive him of the right to receive service, p. 151.

Service, § 134 — Denial for unlawful use— Telephones.

3. A telephone utility has not only a right but a duty to refuse to render service for unlawful purposes, p. 151.

## UNITED STATES DISTRICT COURT

### *Service, § 489 — Denial for gambling — Burden of proof.*

4. The burden of proof, when a telephone company denies service to a subscriber for unlawful use, is upon the company to establish the fact that the service is actually being used or about to be used for a criminal purpose, p. 151.

### *Service, § 485 — Denial for gambling — Equitable remedy.*

5. A telephone company erroneously refusing service to a person who is entitled to it is subject to an action for damages and also to the injunctive powers of a court of equity, p. 151.

### *Injunction, § 1 — Judicial discretion.*

6. An application for equitable relief such as injunction is addressed to the discretion of the court, p. 151.

### *Service, § 134 — Denial for unlawful use — Notice from law enforcement agency.*

7. A public utility may not deprive a member of the public of his rights to service merely because it has received a notice from a law enforcement agency that he is using the service for illegal purposes, and a tariff which in effect would permit such discontinuance would be invalid, p. 151.

### *Service, § 134 — Denial for unlawful use — Notice by official — Telephones.*

8. A telephone company must refuse service if to its knowledge the service is being used for illegal purposes such as gambling, but may not by its tariff confer what amounts to judicial power upon a law enforcement officer by permitting the discontinuance of service upon mere notice of unlawful use, p. 151.

### *Injunction, § 2 — Notice by law enforcement agency of unlawful use.*

9. A court will not enjoin a United States attorney from writing a letter to a telephone company advising the company of an installation he believes is being used for unlawful purposes, since such an attorney has a right to send a letter to anyone he chooses, p. 152.

### *Injunction, § 49 — Discontinuance of service — Consideration of evidence.*

10. The district court will postpone decision in an action by a telephone subscriber for injunction to restrain the discontinuance of service, which the telephone company seeks to discontinue on the ground that the telephone is being used for gambling activities, until full consideration of the evidence can be had, p. 153.

**APPEARANCES:** Charles E. Ford, of Washington, D. C., for plaintiff, for the motion; Edmund L. Jones, of Washington, D. C., for defendant Chesapeake & Potomac Telephone Co.; and Samuel K. Abrams, Assistant U. S. Attorney, of Washington, D. C., for defendant Fay, opposed.

**HOLTZOFF, DJ.:** The plaintiff alleges in her complaint that she received a letter from the defendant telephone company to the effect that the com-

pany has been advised by the United States Attorney for the District of Columbia that his office is in possession of competent evidence that the plaintiff's telephone is being used in violation of the statutes prohibiting gambling in the District of Columbia and that the United States Attorney has requested the company to disconnect this telephone equipment and discontinue the telephone service. The letter further contains a statement

ANDREWS v. CHESAPEAKE & P. TELEPH. CO.

that the telephone will be disconnected and telephone service discontinued on a date and at an hour specified in the letter. The plaintiff denies that the telephone is being employed in violation of the statutes and claims that it is being used by her in her living and social activities. She seeks an injunction against the telephone company from discontinuing service and against the United States Attorney from advising, coercing, or in any manner aiding or assisting the telephone company in disconnecting the telephone equipment.

[1] Naturally, it is of importance that the gambling statutes, and criminal statutes generally, be stringently enforced. It is of greater importance, however, that this enforcement be conducted in accordance with the requirements of the Constitution and laws of the United States. It not infrequently happens that a person, seeking the protection of the Constitution and laws, is himself a person of bad character, but this circumstance does not diminish his constitutional and legal rights. This is one of the fundamentals of our system of government and one of the basic principles of the Bill of Rights.

[2-4] A public utility, such as a common carrier, a telegraph company, or a telephone company, must serve all members of the public without discrimination or distinction. In this respect, public utilities are different from other businesses, such as stores, restaurants, and theaters, which may select their customers. The fact that a person may be of bad character does not deprive him of the right to receive service from a public utility. On the other hand, the facilities of a public utility

may not be used for criminal purposes. A public utility has not only a right but a duty to refuse to render service for criminal purposes. For example, a railroad company may not refuse to carry a passenger merely because he has a criminal record or is engaged in an illegal or immoral business. If, however, the transportation is sought for the very purpose of committing and consummating an illegal act, transportation may and should be refused. Thus, if a person intending to commit a robbery at a distant point gets on a train for the purpose of reaching that place, and information of this fact is in possession of the railroad company, the passenger may be put off the train. On the other hand, he may not be put off the train merely because he is an immoral person or is engaged generally in illegal activities.

It clearly follows, therefore, that a telephone company may refuse to furnish or may discontinue service that has been furnished if the service is used for a criminal purpose, such as violation of the gambling statutes. The burden of proof, however, is on the public utility to establish the fact that the service is being used or is about to be used for a criminal purpose. Naturally, since this is a civil matter, such fact need not be established beyond a reasonable doubt. It is sufficient if it is shown by a fair preponderance of the evidence.

[5-8] A public utility erroneously refusing service to a person entitled to it is subject to an action for damages. An action for damages may be inadequate, however, and, hence, equitable relief may be proper. On the other hand, equitable relief is administered on equitable principles, and any

## UNITED STATES DISTRICT COURT

person seeking it must come into court with clean hands. An application for equitable relief, such as an injunction, is addressed to the discretion of the court. It seems to the court, therefore, that before telephone service may be discontinued on the ground that it is being used for an illegal purpose, the fact of the illegal use must appear by a preponderance of the evidence. True, there is a provision in the tariff of the telephone company to the effect that telephone service may be discontinued and need not be furnished "if any law enforcement agency, acting within its jurisdiction, advises that such service is being used or will be used in violation of law. . . ." Obviously, if this provision of the tariff is to be literally construed, it is not valid. A public utility may not deprive a member of the public of his rights to service merely because it receives a notice from a law enforcement agency that he is using the service for illegal purposes. A public utility may refuse, and, in fact, must refuse, service if to its knowledge the service is being used for illegal purposes. This fact must, however, be established. To confer what would amount to judicial power on a law enforcement officer and to exercise such power ex parte would be violative of due process of law and would deprive members of the public of their legal rights. A public utility may not do this, and neither may a regulatory administrative body.

It is the understanding of the court, however, that counsel for the telephone company, recognizing all of these implications, quite candidly admits that this provision is not to be taken literally. The court holds that this stipulation does not detract from the rule of

law that service may be refused by a public utility to a member of the public, if the service is to be used for an illegal purpose, provided such use is established by a preponderance of the evidence.

[9] In so far as concerns the letter written by the United States Attorney to the telephone company, naturally any person whosoever, be he a public officer or a member of the public, has a right to send a letter to anyone he chooses. Consequently, the court will not enjoin the United States Attorney from writing any letter or from taking any steps that he deems wise for the purpose of properly performing his duty. Ordinarily, the courts do not enjoin prosecuting officers of the government from taking steps to fulfill their official obligations.

The effect of the letter from the United States Attorney is another matter. Its function, as the court sees it, is none other than merely to convey information to the telephone company and place the telephone company on notice of what the United States Attorney believes the situation to be. The telephone company, for example, may have a right, if it sees fit to do so, to request the United States Attorney to disclose whatever evidence he has in support of the information contained in the notice. The telephone company must make its own decision whether the evidence is sufficient to justify discontinuance of the service. The company acts at its peril. The court is not unmindful of the fact that the company is subject to an action for damages if it wrongfully discontinues telephone service.

The court has stated these general principles in order to clarify the issues.

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as it seems them as a guidance for future proceedings in this matter.

The court will deny any injunction against the United States Attorney, as prayed for in the complaint.

[10] The court will postpone decision on the application for injunction against the telephone company until full consideration is given to the evidence, indicating whether the telephone is or is not being used for an illegal

purpose. The court prefers, if possible, to determine this matter on affidavits. The United States Attorney at this hearing has submitted affidavits tending to show that the telephone is being used for an illegal purpose. Time will be given to the plaintiff to file affidavits in opposition, if she desires to do so. In addition, the telephone company will likewise have the privilege of filing affidavits.

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PENNSYLVANIA SUPERIOR COURT

Scranton-Spring Brook Water Service  
Company

v.

Pennsylvania Public Utility Commission

— Pa Super Ct —, — A2d —  
July 15, 1949

**A**PPPEAL by water company from Commission order prescribing uniform system of accounts; affirmed.

*Accounting, § 4 — Commission jurisdiction.*

1. The general power of a Commission to prescribe reasonable uniform systems of accounting for utilities subject to its jurisdiction is clear and definite, p. 156.

*Accounting, § 32 — Original cost basis — Uniform system of accounts.*

2. A uniform system of accounts requiring water companies to have available original cost figures and requiring that the difference between original cost of property when first dedicated to public use and the book or present cost be listed in an acquisition adjustment account and that the amounts recorded in this account with respect to each property acquisition shall be disposed of, written off, or provision made for amortization, is valid, p. 156.

*Accounting, § 6 — Uniform system of accounts — Prospective operation.*

3. There is no requirement that a newly imposed uniform system of accounts be applied only prospectively; that is, to show the original cost of property when first devoted to public use after the date of the Commission's order setting up the uniform system of accounts, as such requirement would defeat the major purpose of the accounting order, p. 158.

## PENNSYLVANIA SUPERIOR COURT

### *Accounting, § 1.1 — Uniform system of accounts — Constitutional rights.*

4. The requirement imposed by a Commission order setting up a uniform system of accounts that utilities separate on their books original cost from book or acquisition cost does not change any element of value or take any of the property of the utility in violation of its rights under either the Constitution of the commonwealth or the Constitution of the United States p. 158.

### *Accounting, § 6 — Nature of order prescribing system of accounting.*

5. An order of the Commission prescribing a uniform system of accounts is not a rate proceeding and involves no findings as to value, p. 158.

By RHODES, PJ.: This is an appeal by the Scranton-Spring Brook Water Service Company from the order of the Pennsylvania Public Utility Commission entered January 5, 1948, 72 PUR NS 69. The order prescribes a Uniform System of Accounts for Water Utilities having annual operating revenues in excess of \$100,000, and directs all such utilities, including appellant, to keep their accounts in accordance with such uniform system.

The Uniform System of Accounts here in question was established by the Commission under the statutory authority given in §§ 501 and 502 of the Public Utility Law of May 28, 1937, P.L. 1053, 66 PS §§ 1211, 1212. Section 501 provides: "The Commission may, after reasonable notice and hearing, establish systems of accounts (including cost finding procedures) to be kept by public utilities, or may classify public utilities and establish a system of accounts for each class, and prescribe the manner and form in which such accounts shall be kept. Every public utility shall establish such systems of accounting, and shall keep such accounts in the manner and form required by the Commission. The accounting system of any public utility also subject to the jurisdiction of a Federal regulatory body shall corre-

spond, as far as practicable, to the system prescribed by such Federal regulatory body: Provided, That the Commission may require any such public utility to keep and maintain supplemental or additional accounts to those required by any such regulatory body." Section 502 reads: "The Commission may require any public utility to establish, provide, and maintain as a part of its system of accounts, continuing property records, including a list or inventory of all the units of tangible property used or useful in the public service, showing the current location of such property units by definite reference to the specific land parcels upon which such units are located or stored; and the Commission may require any public utility to keep accounts and records in such manner as to show, currently, the original cost of such property when first devoted to the public service, and the reserve accumulated to provide for the depreciation thereof."

The order of the Commission setting up the new system of accounts for the larger water utilities recites in detail the reasons for the change. Prior to January 1, 1948, water utilities were required to account for water supply plant and facilities on the basis of cost to the present owner or book

## SCRANTON-SPRING BROOK W. S. CO. v. PENN. PUB. UTIL. COM.

ost. This method of accounting was deficient in failing to disclose one of the elements of fair value, original cost, or cost to the owner first devoting the property to public service. The Commission's experience showed that in most cases involving water utilities original cost data was entirely lacking due to the age of such companies or to their manner of keeping accounts. Many utilities adjusted their plant accounts to reflect reproduction cost. Under these circumstances, the ascertainment of original cost by the Commission itself in a given rate proceeding was impractical. Accordingly, the Uniform System of Accounts was prescribed with a view to making original cost data readily available. The new system also provided for continuing cost inventory of plant acquisitions as made.

The initial draft of the new system of accounts relating to water utilities having annual operating revenues in excess of \$100,000 was completed in January, 1946, and served upon all such utilities. This initial draft provided that the original cost of the utility plant and facilities would be obtained by analysis of construction records. Representatives of the water supply industry claimed that data as to construction costs was largely nonexistent as many companies had been in operation for decades, and as little importance had been attached to proper accounting methods in the early years. The Commission recognized the merits of this contention, and in the second draft of its new system of accounting for large water utilities it made the following provision:

"In recognition of the history of water utility plant, it will be consid-

ered that book costs of plant, as of the date of reclassification of plant account, are representative of the original cost thereof, after adjustments shall have been made to such book costs for increases or decreases in plant account of the accounting utility and its predecessors which resulted from the recording of appraised values, from the acquisition of plant by purchase, merger, consolidation, etc., or from accounting errors, due consideration being given to recorded retirements, if any, of the gross amounts classifiable in Account 100-5, Utility Plant Acquisition Adjustments and Account 107, Utility Plant Adjustments. . . ."

The second and final draft of the proposed new accounting system was served upon all water utilities subject to the jurisdiction of the Commission and affected thereby on December 3, 1946. Hearings were held in July and September of 1947 and briefs filed. Scranton-Spring Brook Water Service Company asserted that the new regulations would adversely affect it. The new accounting rules were made effective as of January 1, 1948, by the Commission's final order of January 5, 1948, 72 PUR NS 69, from which order Scranton-Spring Brook Water Service Company appeals.

The Commission has prescribed new uniform systems of accounts for the larger gas, electric, and telephone utilities, containing substantially similar provisions and requiring the accounting systems of these utilities to reflect original cost. It does not appear that any appeal has been taken concerning these orders of the Commission. Of the water companies affected, Scranton-Spring Brook has appealed, but it has not appealed from the Commis-

## PENNSYLVANIA SUPERIOR COURT

sion's order setting up similar accounting requirements for artificial gas producers, in which enterprise it is likewise engaged.

The Uniform System of Accounts in question, in Account 100-1 (Utility Plant in Service), provides for the inclusion of the balance showing the original cost of the utility plant in service. Intermediate Accounts 100-2 to 100-4 cover the original cost of plant leased to others, construction work in progress, and plant held for future use. Account 100-5, known as the Acquisition Adjustments Account, shall include "the difference between (a) the arm's-length cost of utility plant acquired by purchase, merger, consolidation, liquidation, or otherwise and (b) the original cost, estimated if not known, of such property, less the amount or amounts which may be credited to the depreciation and amortization reserves of the accounting utility at the time of acquisition with respect to such property." Appellant especially objects to paragraph C. of Account 100-5 which reads in full as follows: "C. The amounts recorded in this account with respect to each property acquisition, shall be depreciated, amortized, or otherwise disposed of as the Commission may approve or direct."

It appears from the record that the actual arm's-length cost of acquiring the various properties, now constituting appellant, by merger and reissuance of securities, was \$51,692,982.94, or, for present purposes, approximately \$52,000,000. It is estimated that of this \$52,000,000 the sum of \$33,779,000 would represent original

costs of such property when first devoted to the public service, and \$18,221,000 would represent the difference between arm's-length cost and original cost, which would be recorded under Account 100-5. Appellant contends that the new system of accounting violates the Constitution of the Commonwealth of Pennsylvania (Art I, §§ 1, 9, 10, Art XVI, § 10), as applied to it, because, under this system, "Appellant is compelled to write off about \$18,221,000 of said (the actual) cost from its plant account and to amortize or otherwise dispose of said \$18,221,000 as the Commission directs."

[1] The general power of state and Federal Commissions to prescribe reasonable uniform systems of accounting for utilities subject to their jurisdiction is clear. *Northwestern Electric Co. v. Federal Power Commission* (1942) 125 F2d 882, 43 PUR NS 140, affirmed (1944) 321 US 119, 88 L ed 596, 52 PUR NS 86, 64 S Ct 451; *Kansas City S. R. Co. v. United States* (1913) 231 US 423, 58 L ed 296, 34 S Ct 125; *Norfolk & W. R. Co. v. United States* (1932) 287 US 134, 77 L ed 218, 53 S Ct 52; *American Teleph. & Teleg. Co. v. United States* (1936) 299 US 232, 81 L ed 142, 16 PUR NS 225, 57 S Ct 170. The Uniform System of Accounts, requiring the utility to have available original cost figures, prescribed by the Pennsylvania Commission and the basis of the present appeal, is similar to and based upon previous state and Federal regulation.<sup>1</sup>

[2] In *American Teleph. & Teleg. Co. v. United States*, *supra*, the Uni-

<sup>1</sup> See: A Case Study in the Relationship of Law and Accounting: Uniform Accounts

100.5 and 107, by Homer Kripke, 57 Harv. L. Rev. 433-478, 693-727.

SCRANTON-SPRING BROOK W. S. CO. v. PENN. PUB. UTIL. COM.

form System of Accounts prescribed by the Federal Communications Commission for telephone companies under its jurisdiction, as here, required that the difference between original cost of the property, when first dedicated to public use, and the book or present cost be listed in an acquisition adjustment account. It was further provided that "the amounts recorded in this account (i. e. 100.4) with respect to each property acquisition shall be disposed of, written off, or provision shall be made for the amortization thereof in such manner as this Commission may direct." (16 PUR NS at p. 229.) In that case the Federal Communications Commission "stipulated" that "amounts included in [acquisition adjustment] Account 100.4 that are deemed, after a fair consideration of all the circumstances, to represent an investment which the accounting company has made in assets of continuing value will be retained in that account until such assets cease to exist or are retired; and, in accordance with paragraph (C) of Account 100.4, provision will be made for their amortization." (16 PUR NS at p. 231.) In upholding the validity of such Uniform System of Accounts, including the write-off provision, Mr. Justice Cardozo said, at p. 230 of 16 PUR NS: "The Commission is not under a duty to write off the whole or any part of the balance in 100.4, if the difference between original and present cost is a true increment of value. On the contrary, only such amount will be written off as appears, upon an application for appropriate directions, to be a fictitious or paper increment. This is made clear, if it might otherwise be doubtful, by administrative

construction. . . . The case in that respect is sharply distinguished from *New York Edison Co. v. Maltbie* (1935) 244 App Div 685, 9 PUR NS 155, 281 NYSupp 233; (1936) 271 NY 103, 15 PUR NS 143, 2 NE2d 277, where under rules prescribed by the Public Service Commission of New York, there was an inflexible requirement that an account similar in some aspects to 100.4 be written off in its entirety out of surplus, whether the value there recorded was genuine or false. The administrative construction now affixed to the contested order de-vitalizes the objection that difference between present value and original cost is withdrawn from recognition as a legitimate investment." Furthermore, it is clear from the opinion in *United States v. New York Teleph. Co.* (1946) 326 US 638, 652-654, 90 L ed 371, 380-381, 62 PUR NS 65, 66 S Ct 393, that the validity of the order of the Federal Communications Commission installing the Uniform System of Accounts, including the possible write-off provision found in Par (C) of Account 100.4, was not dependent upon the "stipulation" by the Commission in *American Teleph. & Teleg. Co. v. United States, supra*. The decisions in *American Teleph. & Teleg. Co. v. United States, supra*, and *United States v. New York Teleph. Co. supra*, fully sustain the power of the Commission in the present case to order the appellant and other utilities subject to its jurisdiction to keep uniform accounts as directed in the order. We are not now concerned with the power of the Commission to require the utility to write off any part of the amounts recorded in Account 100.5. In the event that

## PENNSYLVANIA SUPERIOR COURT

any write-off orders are made in the future, this appellant, or any other utility affected, will have ample opportunity to question such orders.

[3] There is no merit in appellant's contention that the new system of accounts can be applied only "prospectively," that is, to show the original cost of property first devoted to public use after the date of the Commission's accounting order. Such application would defeat the major purpose of the accounting order.

[4, 5] The Commission's accounting order does not impair the credit of the utility or affect the value of its stock. The Uniform System of Accounts takes into consideration and discloses proper elements of value. The requirement that the utility separate on its books original cost from book or acquisition cost does not change any element of value or take any of the property of the utility in violation of its rights under either the Constitution of the Commonwealth of Pennsylvania or the Constitution of the United States.

Appellant's argument that the Commission approved a valuation on its property of \$52,000,000 in 1928, and cannot now reduce such valuation to an original cost basis, is fallacious. This argument assumes the present order of the Commission is more than an accounting order, and that the utility is being compelled to write off part of its cost. The present order of the Commission is one prescribing a system of accounts. It is not a rate proceeding, and involves no findings as to value.

Appellant's witness before the Commission estimated that it would cost

appellant \$228,694 to comply with the Commission's order even under the short "ceiling approach" to original cost provided for in the Commission's second draft of the new uniform system. The Commission stated it believed the cost to appellant of installing the new system would be "substantially less than its estimate." Appellant has not shown that the cost would be arbitrary or unreasonable under the circumstances, and we find no merit in this objection to the order. Cf. American Teleph. & Teleg. Co. v. United States, *supra*.

We have said recently that original cost of construction is a proper factor to be considered by the Commission in arriving at a fair value of the property of a utility for rate-making purposes. Equitable Gas Co. v. Public Utility Commission (1947) 160 Pa Super Ct 458, 463-465, 68 PUR NS 65, 51 A2d 497. We have no doubt that the term "original cost" or "original cost of construction" as here used is equivalent to "the original cost of such property when first devoted to the public service" under § 502, and that original cost does not mean cost to the present owner as appellant contends. In § 310 (a) of the Public Utility Law of 1937, 66 PS § 1150 (a), reference is made to original cost of the physical property of the utility when first devoted to public use. The Public Service Law of July 26, 1913, P.L. 1374, § 20 (a), in defining the elements of fair value, included "the original cost of construction" of the company's property, and such original cost did not include increase in market value due to merger, sale, or consolidation. Cf. Beaver Valley Water Co.

SCRANTON-SPRING BROOK W. S. CO. v. PENN. PUB. UTIL. COM.

v. Public Service Commission (1921)  
76 Pa Super Ct 255, 259. Under ap-  
pellant's view, original cost would be  
synonymous with book cost or cost

to the present owner. Of course this  
is not necessarily true.

The order of the Commission is af-  
firmed, at appellant's cost.

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MASSACHUSETTS DEPARTMENT OF PUBLIC UTILITIES

A. C. Company et al.

v.

New England Telephone & Telegraph  
Company

D.P.U. 8672

July 28, 1949

PETITION of telephone subscriber to compel restoration of serv-  
ice; dismissed.

Service, § 134 — Denial for unlawful use — Effect of police notification — Tele-  
phones.

1. A telephone company is not required to inquire into the motives activating  
the police when it receives a notice of the unlawful use of a telephone  
and may, under its filed tariff, discontinue service in reliance on such notice,  
p. 160.

Commissions, § 16 — Relationship with law enforcement authority.

2. The Commission is not an agency to review decisions made by law en-  
forcement agencies in regard to the unlawful use of a telephone, p. 160.

Service, § 134 — Discontinuance of telephone service for gambling — Reasonable-  
ness of company regulation.

3. A tariff provision of a telephone company permitting it to discontinue  
service whenever a law enforcement agency acting within its jurisdiction  
advises that such service is being used, or will be used, in violation of law  
is reasonable, p. 160.

APPEARANCES: James H. Vahey,  
for petitioner; John Clark Kane, for  
New England Telephone and Tele-  
graph Company; Andrew J. Gorey,  
Secretary to Boston Police Commis-  
sioner.  
under G.L. Chap 166, § 14 and G.L.  
Chap 159, § 16, by a former subscrib-  
er to telephone service to compel the  
New England Telephone and Tele-  
graph Company to render service to it.  
See New England Teleph. & Teleg.  
Co. v. Department of Public Utilities,  
262 Mass 137, PUR1928B 396, 159

By the DEPARTMENT: This is a  
petition entertained by the Department

## MASSACHUSETTS DEPARTMENT OF PUBLIC UTILITIES

NE 743. The facts as appeared at the hearing are undisputed.

On September 18, 1948, an agent of the telephone company found upon a visit to complainant's premises that certain apparatus not furnished by the telephone company was connected to its lines. Its tariff item on file provided that:

"D. Customers shall not use or permit to be used, in connection with the equipment or facilities furnished by the telephone company, any electrical or mechanical apparatus or device, other than that furnished or approved by the telephone company, nor permit the attachment of any advertising devices. In case any instrument, apparatus or device of any kind other than that furnished or approved by the telephone company is attached to or used in connection with any part of the telephone company's property the telephone company shall have the right to remove such instrument, apparatus, or device, or to suspend the service so long as such instrument, apparatus, or device is so attached or used, or to terminate the service."

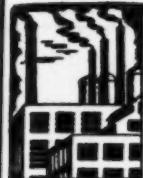
Acting under this tariff provision, the telephone company terminated its service to the complainant. Thereafter, complainant applied to the telephone company for resumption of service. This was refused, because the commissioner of police of the city of Boston had advised the telephone company that such service would be used in violation of law. The filed tariff of the telephone company also provides that: "The service is furnished subject to the condition that it will not be used for an unlawful purpose. Serv-

ice will not be furnished if any law enforcement agency, acting within its jurisdiction, advises that such service is being used or will be used in violation of law. If the telephone company receives other evidence that such service is being or will be used, it will either discontinue or deny the service or refer the matter to the appropriate law enforcement agency."

[1-3] Under the familiar rules governing our decisions in matters of this nature, we will not inquire into the motives activating the police. The Department is not an agency to review decisions made by the law enforcement agencies. Rodman v. New England Teleph. & Teleg. Co. (1945) 61 PUR NS 242; Carrozza v. New England Teleph. & Teleg. Co. (1945) 61 PUR NS 249; McCabe v. New England Teleph. & Teleg. Co. D.P.U. 8616. The tariff provision is a reasonable regulation, and we cannot say that the telephone company is unreasonably refusing to furnish service to complainant on the facts here before us. Partnoy v. Southwestern Bell Teleph. Co. (Mo 1947) 70 PUR NS 134; Ganek v. New Jersey Bell Teleph. Co. (NJ 1944) 57 PUR NS 146; Shillitani v. Valentine (1947) 296 NY 161, 67 PUR NS 150, 71 NE2d 450; Hagerity v. Southern Bell Teleph. & Teleg. Co. (1940) 145 Fla 51, 37 PUR NS 29, 199 So 570.

For the foregoing reasons, after due notice, public hearing and consideration, it is

*Ordered:* That the complaint of A. C. Company and Daily Sports Digest be dismissed.



# Industrial Progress

*A digest of information on new construction by privately managed utilities; similar information relating to government owned utilities; news concerning products, supplies and services offered by manufacturers; also notices of changes in personnel.*



## Armstrong Cork Ad Tells Story Of "How Electricity Is Made"

THE Armstrong Cork Company is carrying an advertisement in the September 24th issue of *Saturday Evening Post* entitled "How Electricity is Made." Prepared in cooperation with the Edison Electric Institute, the presentation tells briefly the story of how a modern power plant turns coal into steam and steam into electricity. A cutaway view of a typical power plant and accompanying diagram illustrating the progressive steps in the transformation take readers behind the scenes to see how it's done.

Offered free to members of the power industry and readers of the advertisement are 21-in. by 22-in. full-color enlargements of the cutaway view and explanatory diagram of a modern power plant. The enlargements are suitable for framing and may be used by the industry in training personnel and as an explanation to visitors of how a power plant operates. The enlargements can be obtained by writing to the Armstrong Cork Company, Lancaster, Pennsylvania.

## Sylvania Elec. Names Goddard Manager of Utility Sales

CHARLES H. GODDARD has been appointed manager of utility sales for Sylvania Electric Products Inc., it was announced recently by B. K. Wickstrom, general sales manager. In his new assignment, he will be in charge of sales of all lighting equipment to municipalities, railroads and other transportation companies, central station sales and large utility accounts.

Mr. Goddard joined Sylvania Electric in 1944 as merchandise manager of the fluorescent fixture division and prior to that was vice presi-

dent of the Pittsburgh Reflector Company, with which he was associated for fourteen years. A graduate of Ohio University, he started in the lighting business with the Columbus Railway Power and Lighting Company in Columbus, Ohio.

Mr. Goddard assumes the presidency of the Illuminating Engineering Society in October of this year, having been a member of the executive council committee of the organization for several years.

## 166th B&W Outdoor Boiler Unit Goes Into Operation

THE 166th outdoor boiler unit designed and built by the Babcock and Wilcox Company, has gone into operation with the firing of the last of seven new Radiant type boilers installed at the Redondo Beach (Calif.) steam station of the Southern California Edison Company, Babcock and Wilcox officials announced recently. The seven boilers at the \$38,000,000 plant will supply steam to four main steam turbine generators, each developing 66,000 kw, and two 6,000 kw auxiliary units.

Each boiler, designed for 1,000 psi working pressure, has a maximum steam output of 440,000 pounds per hour operating at 875 psi and 900F total temperature at the superheater outlet. The boilers are equipped with superheaters, air heaters, economizers, and shell type attemperators. Automatic sequential soot blowers are installed in each unit to minimize deposits on boiler superheater and economizer surfaces. Automatic steam blowers in the air heaters remove soot from the heater plates.

The boilers are designed for firing by oil or natural gas. Intermediate tanks for oil have been eliminated by pumping this fuel directly from two storage tanks, each of 100,000 bar-

We wish to announce that

**MR. J. D. WHITTEMORE**

(formerly Vice President of The Chase National Bank)

has become associated with us in charge of our

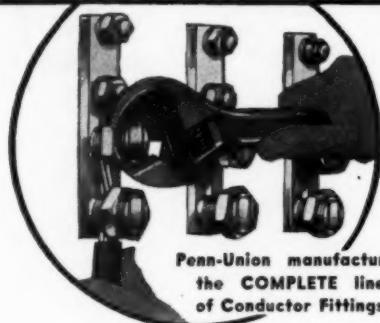
Public Utilities Department

**LEHMAN BROTHERS**

September 19, 1949

Mention the FORTNIGHTLY—It identifies your inquiry

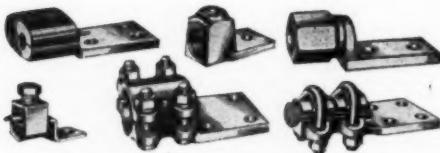
*You can pick the EXACTLY RIGHT lug—*



Penn-Union manufactures  
the COMPLETE line  
of Conductor Fittings

### *—from the Complete line*

You'll find that Penn-Union offers all the good types of terminals, in a complete range of sizes: Solderless lugs to grip the conductor by Bolt, Screw, Post-and-Nut, or Multi-Slit Tapered Sleeve; Vi-tite, E-Z, clamp type, shrink fit, etc., etc. Soldering lugs and sheet metal terminals in wide variety.



Also Tee Connectors; Cable Taps; Straight, Parallel, Elbow and Cross Connectors; Bus Supports, Clamps, Spacers; Grounding Clamps; Service Connectors, etc. *Penn-Union* connectors are the choice of leading utilities —because every fitting is mechanically and electrically dependable.

**PENN-UNION ELECTRIC CORPORATION**  
ERIE, PA.      Sold by Leading Wholesalers

**PENN-UNION**  
CONDUCTOR FITTINGS

SEPT. 29, 1949

Mention the FORTNIGHTLY—It identifies your inquiry

rels capacity, through heaters to the boiler. Automatic controls are provided to supply oil in accordance with load demands, to control the recirculation of oil to the storage tank and to regulate the flow of steam for heating the oil.

### Fibron Tubing Replaces Condenser On Cable Riser Poles

LARGE size flexible plastic tubing, to replace the fiber conduit and fiber and steel elbow formerly used on cable riser poles, is now being supplied by the Irvington Varnish and Insulator Company, Irvington 11, New Jersey.

This new tubing is used to cover the cable at the bend from the U duct on the riser pole to the ducts under the cross arms. The tubing covers all the exposed cable and projects about six inches inside each duct. The duct ends are then quickly sealed by tape and compound to prevent entrance of water or moisture. Because of the flexibility of the Irvington tubing, installation is quick and simple.

The use of plastic tubing for this type of utility installation, it is claimed, is effecting substantial overall economies in both materials and in installation costs. The Irvington tubing has been specially compounded for resistance to corrosive elements in the atmosphere, and moisture. It maintains full dielectric strength and flexibility despite exposure to temperature extremes. It is available in various sizes and wall thicknesses as required, dependent upon nature of application, and may be obtained cut to required length.

### Movable Steel Shelving Assembled Without Tools

A NEW style, super strength, higher efficiency, easy to assemble line of iron-grip steel shelving is announced by Equipto, Division of Aurora Equipment Company, Aurora, Illinois. It is designed to carry maximum weight loads.

A special iron-grip stud, exclusive with Equipto, saves 60 per cent of assembly time. The stud slips into a hole in the shelf and into a keyhole in the upright. The shelf is pressed down and the assembly is complete. For speed of adjustment, shelves are instantly movable. All parts are 100 per cent adjustable from front of unit.

This Equipto iron-grip construction is available in open and closed shelving, parts bins, and counters, competitively priced.

### Whittemore to Head Lehman's Public Utilities Dept.

LEHMAN BROTHERS has announced that J. D. Whittemore, formerly a vice president of The Chase National Bank, public utilities department, has become associated with their firm as head of its public utilities department.

Mr. Whittemore, a graduate engineer of the Massachusetts Institute of Technology, has been active in the public utilities field during his entire business career. He has been associated with various public utility companies such as Rochester Gas & Electric Company

**All-New and . . .**

# Just as Rugged as They Look



There's a new look in heavy duty trucks . . . all-new "H" line GM Cs. These great new trucks, in weight ratings from 19,000 to more than 90,000 pounds, pace the entire heavy duty field in styling that adds to the prestige of your business. And they pace the field in design and engineering that give you better performance, lower operating costs, longer life.

Four new gasoline engines offer greatly increased power, in addition to traditional GMC extra value . . . famous four- and six-cylinder GM 2-cycle Diesels have higher compression for even greater agility and economy. New, stiffer, straight side rail frames, new wide-track axles, new broad-beam, extra comfort cabs . . . new features by the score make all-new GMC "H" models best for all heavy public utility transport. Let your nearest GMC headquarters give you complete details.

GMC TRUCK & COACH DIVISION • GENERAL MOTORS

THE INDUSTRY'S ONLY  
**BUMPER-BUILT  
FRONT END**



Typical of GMC "H" line ruggedness are angle-braced, frame-mounted radiator grilles with top and sides of spring steel bumper stock, heavy gauge fenders, wide, thick bumpers . . . for complete front end protection, axle to emblem.

**GMC**  
GASOLINE • DIESEL  
**TRUCKS**

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Niagara Hudson Power Company, Gardner Electric Light Company, Monongahela West Penn Power Company, Mohawk Hudson Power Corporation, New York Power & Light Company, Utica Gas & Electric Company, and Syracuse Lighting Company.

### Allis-Chalmers Announces Ruptair Replacement Unit

**A**NNOUNCEMENT is made by Allis-Chalmers of the Ruptair replacement unit which is specially adapted for replacing obsolete oil circuit breakers of insufficient interrupting capacity in older distribution substations. The unit affords utilities and industries the opportunity to increase the interrupting capacity of their switching equipment without discarding equipment of existing installations.

The unit consists of a sturdy steel framework and a removable element. The framework resembles that of the company's vertical-lift metal-clad switchgear unit except that the front panel, the top plate, and the bus, current transformer and pothead compartments are eliminated. One side-plate of the unit is welded to the framework and the other is bolted on.

Complete dimensions and ratings of the Ruptair replacement unit, together with a description of a typical installation, are contained in a new bulletin, 18B7094, copies of which are available upon request from Allis-Chalmers Manufacturing Company, 965 S. 70th street, Milwaukee, Wis.

### "New Weatherproof Bell"

**T**HE Autocall Company, Shelby, Ohio, announce the development of a new weatherproof alarm bell for either single-stroke or vibrating operation. This new bell, which is fully approved by the Underwriters' Laboratories and Factory Mutuals, was designed to meet the need for a heavy-duty bell capable of standing up under years of service with an absolute minimum of maintenance.

For further information on the new Autocall weatherproof bells or other signalling devices write: The Autocall Company, Shelby, Ohio.

### New Cochrane Catalog

**A** NEW 24-page publication on the Cochrane C-B system of condensate drainage control comprises 6 pages of a technical discussion of this unique system of high pressure, high temperature condensate return, followed by specifications of the two types of C-B unit, after which are detailed fifty-seven case histories and testimonials including photographs, flow diagrams and details of installation, all representing savings in fuel, increased production, more uniform quality, and reduction in maintenance and repair costs. A survey form included has provision for sketch as well as details of condensate removal problem.

Publication No. 3250 is issued by Cochrane Corporation, 17th street and Allegheny avenue, Philadelphia 32, Pa. In Canada, address Canadian General Electric Company, Ltd., 212 King street West, Toronto, Ontario.

SEPT. 29, 1949

Mention the FORTNIGHTLY—It identifies your inquiry

### H. C. Erhard to Head New Perfection Division

**P**ERFECTION STOVE Company's new Oriole and Acorn gas range divisions will have as sales manager Herbert C. Erhard, who was associated for more than 25 years with Standard Gas Equipment Corporation, Baltimore, Md., former manufacturers of the Acorn and Oriole lines.

Appointment of Mr. Erhard as sales manager of the Acorn and Oriole divisions was announced by C. H. Foulds, Perfection's vice president in charge of sales. Since the first of the year, Mr. Erhard has been sales manager of the Anderson Stove Company, Anderson, Ind.

### Pennsylvania Transformer Elects New Officers

**A**t a recent meeting of the directors of Pennsylvania Transformer Company, Pittsburgh, Pennsylvania, Samuel Horelick, who for the past 20 years has been president of the company, was elected to the newly created position of chairman of the board.

W. E. Kerr was elected president. Mr. Kerr has been vice president and treasurer of the company since it was organized by him and Mr. Horelick in February, 1929.

W. R. Swoish, sales manager, was elected vice president. Mr. Swoish also continues as sales manager.

Samuel Dickson was elected treasurer and F. W. Dierker, assistant treasurer.

Miss A. M. Slater is secretary.

### Ebasco Opens a Chicago Office

**E**BASCO SERVICES INCORPORATED opened a Chicago office recently at 209 South La Salle street according to an announcement by T. C. Wescott, President.

The new Chicago office, according to Mr. Wescott, has been set up for the purpose of bringing about a closer relationship with the Ebasco staff and its clients in the Western and Mid-Western areas. It will be managed by Rolland H. Bradford, a native of Missouri, who has spent more than twenty years with the Ebasco organization and its affiliates.

### IBM Appointments

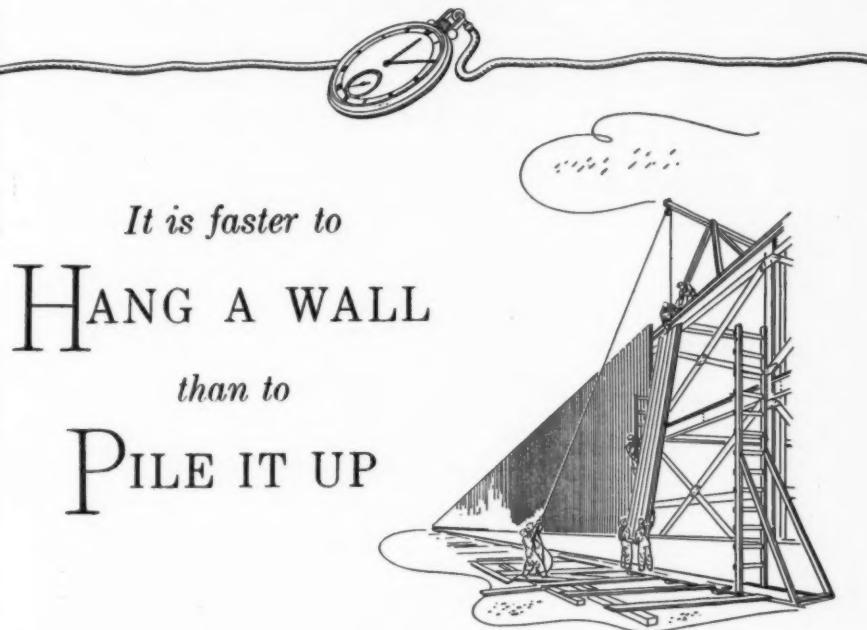
**I**NTERNATIONAL BUSINESS MACHINES CORPORATION has announced the appointment of T. Vincent Learson as sales manager of the Electric Accounting Machine Division. He was previously district manager at Detroit.

He succeeds Gordon P. Lovell, who has been appointed dean of the IBM School at Endicott, N. Y.

Announcement was also made of the appointment of Oliver Walker as assistant Electric Accounting Machine manager in the New York sales office.

The appointment of Paul F. Steinkuller as assistant IBM manager of customer engineering with headquarters in New York was also announced.

## What we really make is Time



*It is faster to*  
**HANG A WALL**  
*than to*  
**PILE IT UP**

LITTLE blocks, say 2' x 4' x 8', don't pile up very fast.

We hang walls up in sizable panels.

And that is an easy way to understand why Robertson's real product is time.

We make walls that are hung in place. We make them complete with insulation when the panels are delivered. We engineer them piece by piece in advance at the factory. We put expert crews on the job to place them.

We make time, now, when time is the essence.

Point is, we integrate the right materials with exclusive designs and processes of manufacture, round them out with fast engineering for each individual job, install them with experienced crews, and deliver the thing that is most vital of all vital things today: speed.

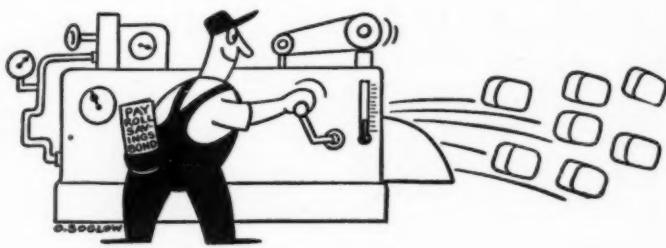
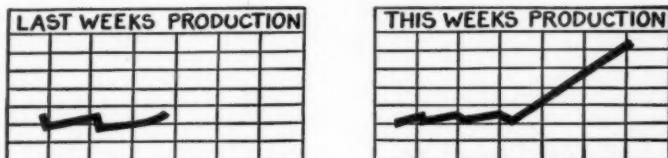
We save days and weeks in finishing a building *for use*, because years have been put into the development of these unique skills.

Quick is the word we practice.

## H. H. ROBERTSON COMPANY

FARMERS BANK BUILDING, PITTSBURGH, PA.





**Boost your employee-participation in the Payroll Savings Plan and you boost your production!**

You are skeptical? Then consider this logic: The more U. S. Savings Bonds an employee holds, the more secure he feels—the more contented he is with his job. Results? Less absenteeism, less labor turnover, fewer accidents. *End result: increased production.*

#### IT'S EASY TO BOOST PARTICIPATION

1. See that a top management man sponsors the Plan.
2. Secure the help of the employee organizations in promoting it.
3. Adequately use posters and leaflets, run stories and editorials in company publications to inform employees of the Plan's benefits.

4. Make a person-to-person canvass, once a year, to sign up participants.

Experience of more than 20,000 large companies indicates that 50% of your employees can be persuaded to join—without high-pressure selling. Get in touch with your State Director, U. S. Treasury Department, Savings Bond Division. He is listed in your phone book.

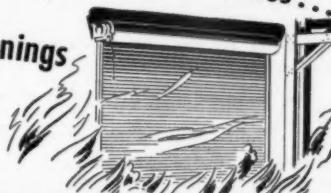
*The Treasury Department acknowledges with appreciation the publication of this message by*

## PUBLIC UTILITIES FORTNIGHTLY

*This is an official U. S. Treasury advertisement prepared under the auspices of the Treasury Department and the Advertising Council.*

# Kinnear Rolling Fire Doors

Famous "Akbar" Doors cut off drafts...defy flames...  
block spread of fire at all openings.



These fireproof all-steel doors do a thorough job of blocking off flame spreading drafts.

YOU'RE SAFER with the automatic fire protection of "Akbar" Rolling Fire Doors! Fireproof all-steel doors are out of the way, overhead, when not in use. But when fire threatens, they promptly seal off doorways, windows and corridors.

Positive enclosure is certain because the doors are pushed downward automatically, by strong auxiliary springs. A special safety device controls their downward speed, guarding against personal injury and reducing impact force on the floor.

For emergency exit, the doors can be raised after automatic closure. They will then close again, quickly and automatically.

Tested and labeled by Underwriters' Laboratories Inc., Akbar Fire Doors often save enough in reducing insurance rates to pay for themselves in two or three years. Built to fit doorways, windows and other openings of any size, they can be equipped to fit regular, daily service use, with or without motor operation. For service use only, standard "non-labeled" Kinnear Rolling Doors are preferred. Write for details.



*Saving Ways in Doorways*

**KINNEAR**  
ROLLING DOORS

The KINNEAR Manufacturing Co.

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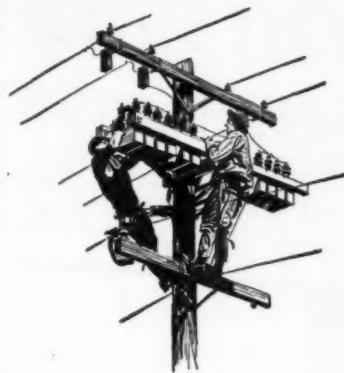


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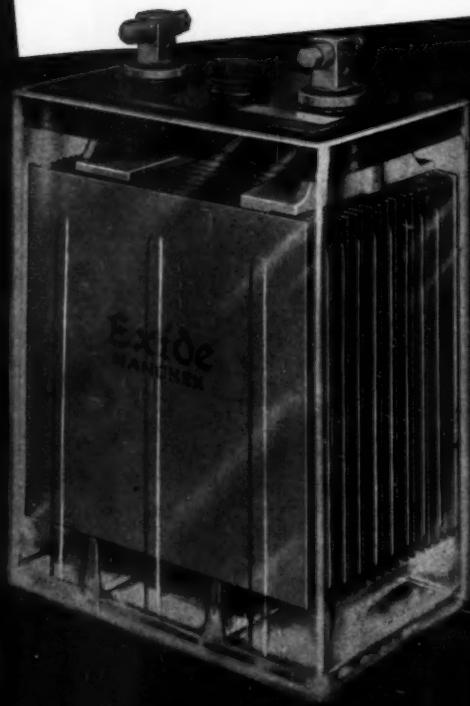
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